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# Public Utilities

*FORTNIGHTLY*



February 13, 1947

THE PHILOSOPHY OF THOMAS EDISON

By Larston D. Farrar

« »

A Utility Lawyer Asks for Help

By Edward O. Tabor

« »

Will the FPC Drive Natural Gas Out of the Fuel Market?

By Samuel H. Crosby

« »

The Race to Capture the Farm Power Market

By T. N. Sandifer

« »

Britain's Nationalization Growing Pains

By Reginald Hobbs

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# Public Utilities Fortnightly



VOLUME XXXIX

February 13, 1947

NUMBER 4

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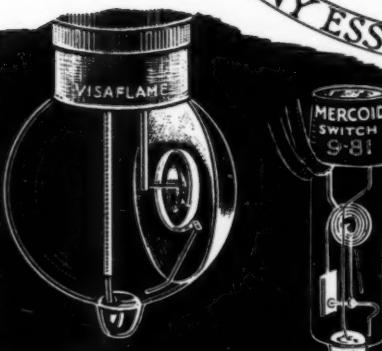
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## Pages with the Editors

**A**BOUT the time this issue comes into the hands of our subscriber, the observance of the one hundredth anniversary of the birth of Thomas Edison will have become an accomplished fact. For it was on February 11, 1847, as many press and magazine articles and radio programs will be reminding us during the next few days, that the great American inventive genius was born in the traditionally humble surroundings of so many American heroes—a farm in Milan, Ohio. Knowing that salient biographical facts and his scientific achievements will be properly presented, through the more extensive contact of these media, we have tried to bring to the somewhat specialized readership of the *FORTNIGHTLY* a more intimate aspect of Edison as a man, as distinguished from Edison, the inventive genius.

THE opening article in this issue, by a professional writer of Washington, D. C., LARSTON D. FARRAR, thus emerges as

a sort of screened view or, as the French would say, a "vignette" of Edison. It is based largely upon an interview with the one living man and distinguished citizen who should know Edison best—his son, the former governor of New Jersey, Charles Edison.

**V**IEWED in retrospect, there is some danger, as MR. FARRAR points out, that the legendary figure of Edison, the Genius, will blur the memory of the many kindly, human, and highly individualistic qualities of Edison, the Man. A simple experiment, which the reader can conduct for himself, was suggested to us quite by accident years ago in a college classroom while Edison was still in his prime.

IT was our good fortune to have been instructed by a canny old professor of history, who loved to lure his students into making an indecent exposure of their own ignorance. He justified this by pointing to the old Greek maxim, "Know thyself," indicating that a knowledge of one's own limitations is the necessary beginning of all true wisdom. He was probably right, although the memory of how he made us find out about this, still stings.

ONE of his favorite tricks was to ask the student to name, extemporaneously, the ten greatest men in history, regardless of age, race, creed, or intellectual specialty, if any. Several of the more self-confident students would raise their hands. Nearly everybody's list contained such versatile figures as Aristotle, Leonardo da Vinci, Newton, Einstein, and, almost invariably, Thomas Edison.

THEN the fun would begin. The professor would start to cross-examine. "What do you know about Edison?"



EDWARD O. TABOR

FEB. 13, 1947



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"Why do you think he was a great man?" "What did he ever do?" "Where and when was he born?" "Was he rich or poor, a good businessman?" "Was he well educated?" "What college did he attend?" "What church did he attend?" And so on and on. The poor student thus had to justify in detail, not only Edison, but every other great man on his list of immortals.

THE result was a bedraggled, humiliated student creeping out of the classroom under strict orders to look up every flunked query and write a theme on each person selected—all to be completed and graded before the end of the semester. In the process, the student learned a great deal of history which he probably never would have learned otherwise. He also learned some worldly wisdom about keeping his mouth shut, when baited questions were asked, in a crowd of young collegians, anxious to show off.

FROM time to time we have used this little test, ourselves, as a matter of casual interest or to make conversation. The result always seems to be that Edison gets into everybody's list. Furthermore, while the average American citizen seems to have a pretty good general knowledge of Edison's leading discoveries—the electric light, phonograph, cinema, etc.—relatively few seem to remember very many facts about Edison as a man. This, notwithstanding the fact that Edison certainly led a full and productive life.

TIME already is at work substituting the picturesque episode for the flesh and blood personality. This, perhaps, is the inescapable price of immortality. Just as the average schoolchild is likely to recall, about George Washington's childhood, only the mythical cherry tree incident, so also the ivy growth of legend (sometimes more well intentioned than accurate) is perhaps destined to obscure gradually any sharp focus on the human qualities of the real Edison. There is probably nothing we can do about it.

\* \* \* \*

**E**DWARD O. TABOR, whose very timely article, entitled "A Utility Lawyer

FEB. 13, 1947



SAMUEL H. CROSBY

"Asks for Help," appears on page 210 of this issue, is chief counsel for the West Penn Power Company, with offices in Pittsburgh. A veteran of the Pennsylvania bar, Mr. TABOR has had a long experience in handling the multifarious legal problems of an operating utility company. He is a graduate of the University of Wisconsin (MA, '17) and received his legal education at Harvard University.

\* \* \* \*

**S**AMUEL H. CROSBY, whose article on the effect of FPC jurisdiction in relation to natural gas as an expanding fuel source begins on page 216, is in charge of the Washington office of E. Holley Poe & Associates. An AB (Phi Beta Kappa) graduate of Grinnell College, with over a quarter of a century of diversified general law practice, Mr. CROSBY served as a trial examiner for the Federal Power Commission for five years (1939-1944). He was especially active during the recent FPC natural gas investigation in the presentation of various objective studies of the administrative policies of the FPC.

THE next number of this magazine will be out February 27th.

*The Editors*

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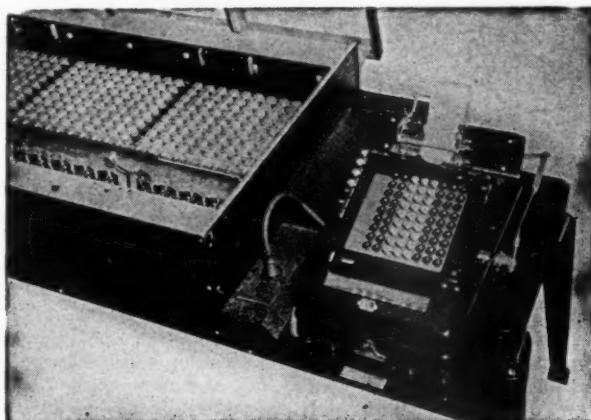
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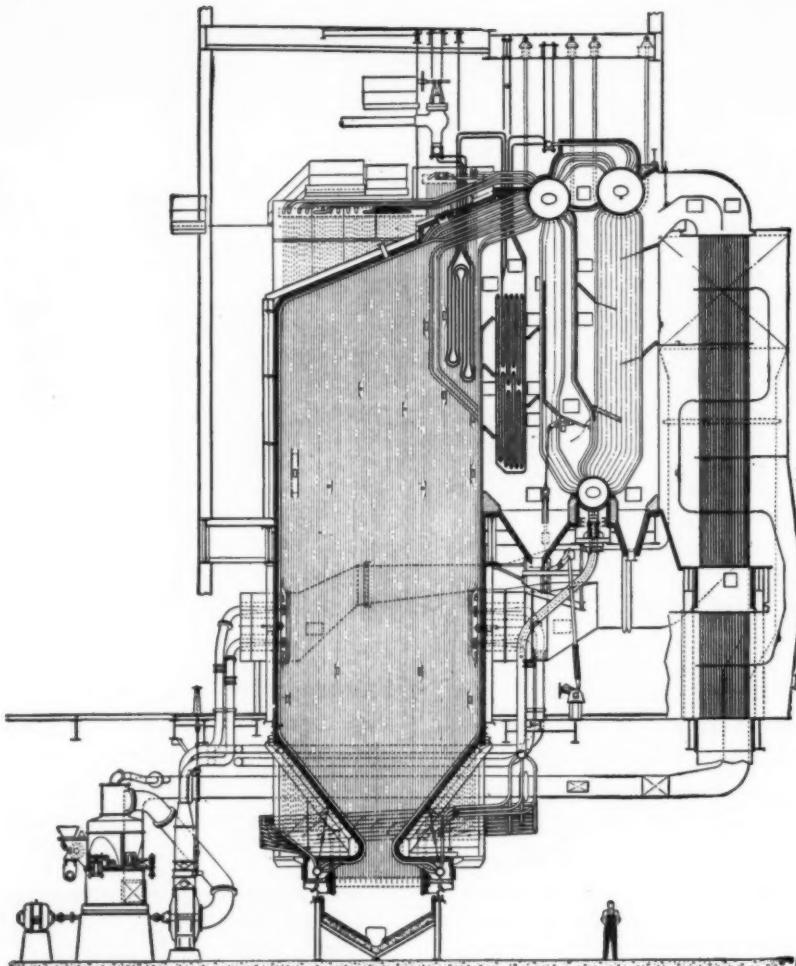
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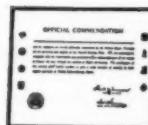
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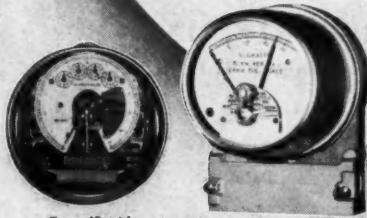
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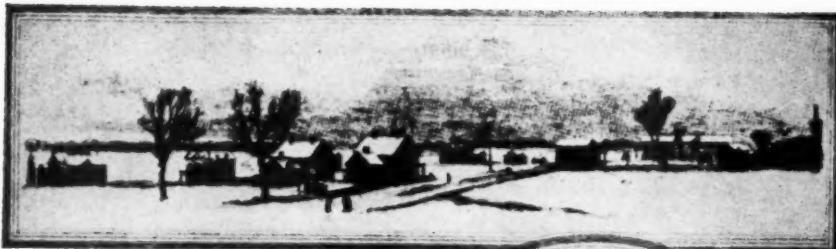
# Utilities Almanack



FEBRUARY



13	T <sup>h</sup>	¶ American Gas Association, Residential Gas Section, Eastern Natural Gas Sales Conference, begins, Pittsburgh, Pa., 1947.
14	F	¶ National Electrical Manufacturers Association will hold meeting, Chicago, Ill., Mar. 3-5, 1947.
15	S <sup>a</sup>	¶ Canadian Electrical Association, Western Conference, will hold meeting, Vancouver, B. C., Mar. 3-5, 1947.
16	S	¶ Texas Telephone Association will hold annual meeting, San Antonio, Tex., Mar. 11-13, 1947.
17	M	¶ American Water Works Association, Minnesota Section, will hold meeting, St. Paul, Minn., Mar. 13-15, 1947.
18	T <sup>u</sup>	¶ American Gas Association, Residential Gas Section, Midwest Gas Sales Conference, will be held, Chicago, Ill., Mar. 17, 18, 1947.
19	W	¶ American Water Works Association, New Jersey Section, meets, New Brunswick, N. J., 1947.
20	T <sup>h</sup>	¶ New England Gas Association annual meeting will be held, Boston, Mass., Mar. 20, 21, 1947. 
21	F	¶ Kentucky Independent Telephone Association will hold meeting, Louisville, Ky., Mar. 26, 1947.
22	S <sup>a</sup>	¶ Midwest Power Conference will be held, Chicago, Ill., Mar. 31-Apr. 2, 1947.
23	S	¶ Illinois Telephone Association will hold convention, Peoria, Ill., Apr. 3, 4, 1947.
24	M	¶ Southeastern Electric Exchange will hold annual conference, St. Petersburg, Fla., Apr. 3-5, 1947.
25	T <sup>u</sup>	¶ American Gas Association — Edison Electric Institute, National Accounting Conference, will be held, Buffalo, N. Y., Apr. 7-9, 1947.
26	W	¶ American Water Works Association, New York Section, will meet, Buffalo, N. Y., Apr. 10, 11, 1947.

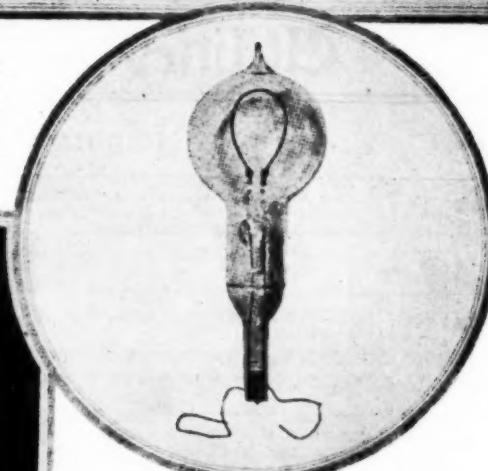


Menlo Park, N. J., (shown above—Laboratory on right) was the scene of Edison's greatest conquest. Late in the year 1877, he conceived the idea of an incandescent lamp that would burn brightly, use little current, and be independent of other lamps in the circuit.



ABOVE—For lamp filament, Edison made over 16,000 tests, carbonizing materials in a small furnace. Using a carbonized thread, his first lamp lit up Oct. 21, 1879 —burned 40 hours.

RIGHT—Edison after 5 days' work on his phonograph.



Model of Edison's first successful lamp



### Pioneering Days in the Career of Thomas A. Edison

*Scenes reproduced from special National Electric Light Association bulletin, September, 1929.*

# Public Utilities

*FORTNIGHTLY*

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FEBRUARY 13, 1947

## The Philosophy of Thomas Edison

The Wizard of Menlo Park, a genius and a human being, is here depicted as the creator of inventions to help the greatest number at the lowest cost—the product of individual effort and not of neoliberal theories.

By LARSTON D. FARRAR\*

**T**OM EDISON once said that genius is 1 per cent inspiration and 99 per cent perspiration. That could be paraphrased to describe the effect of his life and works on millions of people. They accepted his inventions to save themselves 99 per cent perspiration, but they have not yet learned that Edison's life and philosophy could furnish a vital 1 per cent of inspiration even though he is dead.

\*Professional writer of business articles, Washington, D. C.

Man has made great use of Edison's material inventions. London, Paris, Moscow, Berlin—all are lighted by the lamp which was perfected by his fertile mind and his patient hand. But modern man has failed to learn the lessons Edison learned the hard way in the field of government and in the realm of social philosophy.

There are millions of persons who revere his memory, yet do not follow the course he set because they do not know of it. There are even some today

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who have been led to believe that he was against the "common man's" aspirations. In his day—and that was not more than two decades ago—there were no so-called "common men" in America, in the sense that term is used now. The followers of Karl Marx were just getting started in their world-wide crusade to set class against class, to pit brother against brother, and to make poor men think they could change their fate by changing the "system."

**I**N Edison's day, the cloud of Communism was no bigger than a man's hand. In America, we were all just citizens—some rich, some well-to-do, some poorer than others, but all free citizens. There were class distinctions then, but men passed from class to class—becoming richer or poorer as their talents and abilities merited. American society had not yet become stratified through the workings of pseudo-liberalism. And there was no mass, organized movement trying to pit workers against managers and seeking to set up artificial standards by means of which "common men" could be separated from "capitalists."

Edison understood well the nature of government, and its place. He looked on people as individuals and not as numbers in a file case, and that is why he will be more respected and admired a century from now among all freemen than he is even today. In his way, he was a social philosopher pointing toward a better way of economic and social reform—a way that consisted in doing big things instead of talking big things.

His statement about government in business, given to Samuel Crowther in 1929, is more apropos today than the

day it was uttered. Read these words again, in the light of modern events, to see how very strikingly he summed up the eternal battle between free men and totalitarian government:

There is far more danger in public monopoly than there is in private monopoly, for when government goes into business it can always shift its losses to the taxpayers. If it goes into the power business, it can pretend to sell cheap power and then cover up its loss.

The government never really goes into business, for it never makes ends meet. And that is the first requisite of business. The government mixes a little business with a lot of politics and no one ever gets a chance to find out what is actually going on.

... A large extension of the government into business affairs—no matter what the pretense and no matter how the extension is labeled—will be bound to promote waste and to bring a curb on our prosperity and progress. Somehow, and probably it is in the very nature of things, a government office is below the level of a private office.

**E**DISON often used to laugh about how, during World War I, he was head of an important group of scientists in the Navy Department in Washington. He wanted a little implement made of tin, and he made out a requisition to that effect. On each of the next three days, he received messages from the Navy bureau that the implement would be forthcoming. *Four days* after he sent in the order, the implement was delivered. When he later returned to his factory in West Orange, he wrote out a requisition for the same tin implement—just to see how long it would take to have it delivered to him. He got the implement in *two and a half hours!*

That is a good standard of measurement, he said, of the relative efficiency of private business and government "business."

**T**HOMAS A. EDISON has been portrayed as an indefatigable worker and as a hard-bitten skeptic in every

## THE PHILOSOPHY OF THOMAS EDISON

field, so often in recent years, that there is a real danger that many will forget that he was a man—even as you and I—and subject to all the foibles and frettings that bother all men. In a recent interview with Charles Edison, former governor of New Jersey, who bears a striking physical likeness to his distinguished father, I was able to learn some points about Edison, the man, that emphasize greatly his essential beliefs and his towering intellect in all fields.

"I remember Thomas A. Edison as three different men," Charles Edison told me. "As a kind and loving father when I was his child; as my 'boss' when I reached maturity and worked with him; and as a public figure whose head was never turned by the adulations heaped upon him by a grateful mankind.

"As a practical child psychologist and as a companion to me and my brothers and sisters in my boyhood, he had no peer. I can remember only one spanking—the time I wouldn't take some quinine the doctor had prescribed. He was 'dad' to all of us children, one of which we could be proud. Perhaps because of his deafness, he never was annoyed by our petty quarrels and the household noises that irritate so many fathers. He was aloof enough to make us respect him, but companionable enough to make us adore him.

"My fondest memories of my boyhood are those he spent with us children on the Fourth of July each year. He liked that holiday better than any other and he made it a symbol of fun and fanfare for us. There was something loud and carefree and wild about the Fourth of July practices of those days that made him forget utterly the cares of his business enterprises and his laboratory work.

"Early in the morning of a Fourth, he would get out on the wide lawn with all of our family and the neighboring children and would play all kinds of romping games. He would shoot off firecrackers and toy torpedoes. He would take off his shoes and would make us all remove our shoes and then give each of us a supply of torpedoes. It would make him laugh to throw the torpedoes at our feet. He could take it as well as dish it out. By noon, we would all be ready for the special feast. After a heavy meal, there would be a siesta time, during which he would rest and read the newspapers. Then, as darkness fell, we would start the fun all over again. He always had a quantity of rockets and other fireworks on hand and he was adept in their use.

"He seldom played card games, but he used to love to play parcheesi with us children and got a kick out of the way the dice would fall. By the time I was a young man (and was the only



**Q** "EDISON often has been accused of having been a poor businessman. But it is a remarkable fact that he never worked on a useless invention. Many of the industries of modern times are based on the product of his genius. If the definition of a good businessman is one who devotes his life only to the acquisition of wealth, then Edison was NOT a good businessman."

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boy at home), the old electric automobiles came out. He, of course, owned one of the first *Bakers*. Then came the *White Steam Car*. After I had taken a course in operation and repair from a dealer, my father purchased two of these in 1904. He nicknamed them 'Discord' and 'Disaster.' I always had to drive—and fix the punctures! We were lucky, on a 100-mile round trip, if we did not have more than eight or ten punctures. He was always talking about how someone would develop a new and better type of motor than that in the steam car—and, inadvertently, he had encouraged Henry Ford to do that very thing!

"My father was an adventurer. He was absolutely unafraid to try anything. I can prove that statement simply by relating that he and I and three other 'explorers' actually drove two *White Steam Cars* from West Orange, New Jersey, to the mountains of North Carolina in 1905.

"It took us three days to get to Washington, D. C., although that was the easiest part of the trip. From then on, through Virginia and North Carolina mountains, we suffered all the torments that have plagued motorists to greater or lesser degree throughout the century. We were looking for cobalt—and we found it. He never took part in any enterprise that ended quite as miraculously—we returned home with both steam cars, although at several blacksmith shops en route we had to forge new parts for the ailing vehicles.

"At twenty-four, after having completed my formal education, I went to work at my father's plant in West Orange. Then I saw that he was an entirely different man from the homebody and father I had known."

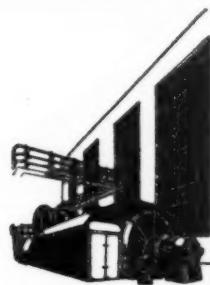
**E**DISON often has been accused of having been a poor businessman. But it is a remarkable fact that he never worked on a useless invention. Many of the industries of modern times are based on the product of his genius. If the definition of a good businessman is one who devotes his life only to the acquisition of wealth, then Edison was not a good businessman. His one passionate desire was to wrest secrets from nature that would benefit mankind. When he had succeeded in doing so and had found it a business, his interest ended. He wanted to delve again into the mysteries of nature.

He could have been the wealthiest man that ever lived. But he looked upon wealth as merely a means to an end. He used money as a laborer uses his pick and shovel. He often remarked that he never wanted more than a million dollars, because, he said, "When a man has more than a million dollars, he has to quit whatever else he is doing and look after his money." The truth is, he left an estate of more than a million dollars, but not through any plan of his own.

**O**NE time Edison had a partner in a certain chemical enterprise in which each man invested millions of dollars. They decided that they would build the plant only for wartime operation, and that they would set up a fund during the period of high profits so that, if they lost money in the period of liquidation, they still would be better off than they had been at the beginning. This fund consisted of \$6,000,000. When half of it later was lost, as anticipated, the partner became a nervous wreck. The loss preyed on his mind and it was obvious that to him the money

## THE PHILOSOPHY OF THOMAS EDISON

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### Creator of Electric Industry

**E**DISON . . . was the creator of the present vast electric light and power industry. He always considered it his greatest monument. But he sold his electric light business soon after his invention for a comparatively paltry sum and dumped most of his light and power stocks on the market in the early Nineties so that he could have funds to carry on experiments in other fields."

was all important. Edison dismissed the loss of the \$3,000,000 as casually as many men would dismiss the loss of a cigarette lighter.

Another time Edison invested heavily in a certain plant designed for the magnetic separation of iron ore. Then the great Mesabi range was discovered in Minnesota, making useless his inventions in magnetic separation. He was on a train when his associates, chagrined at learning the news of the Mesabi discovery and its verification, told him of it. He knew immediately that it meant the loss of millions of dollars and months of heartbreaking effort. But he shrugged his shoulders, gave a wry grin, and remarked: "Well, boys, we had a helluva good time spending it, didn't we? Let's get busy on something else." And that was the last he ever worried about the whole thing.

He was an odd employer. To the

regular employees of his various plants, he was a mystical figure. They would see him only intermittently. He cared very little for production, compared to his love for research and investigation. His laboratory employees viewed him as a dynamo of energy, a veritable demon for work. He would take it easy for a while, then go on what he called "campaign." He would make his plans to begin working around the clock at the laboratory, sleeping only intermittently and seldom more than four hours out of twenty-four. This would continue sometimes for as long as three months, when he would accomplish his goal and revert to a more normal routine. They called the men who worked with him the "insomnia squad." These men knew — as his children learned early in life — that he was an inveterate practical joker and prankster. Nobody ever knew when he would start pulling

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a practical joke, but it generally was after he had done his work and wanted to relax mentally as well as physically. Sometimes, for recreation, he would get together a few of the laboratory assistants for a music fest. He played the organ, the little glass blower played the zither, another of the men played on tin pans, and two others played bones. They could render any of the popular tunes of the day, and some others with words that were never heard outside the laboratory.

He was always slow to anger, even in the laboratory. He never became impatient at the failure of others to perform as quickly as they should, but he made it a point to have around him only men who wanted to get things done as much as he did. It took a lot of determination for a man to remain on the "insomnia squad."

**I**N 1929, on the occasion of the fiftieth anniversary celebration of the invention of the electric light, Edison was honored by the President of the United States, the heads of other nations, and the most eminent scientists of the world. On that occasion, he made a brief speech in which he revealed his attitude toward himself and his fellow-workers:

"I would be embarrassed at the honors that are being heaped on me on this unforgettable night were it not for the fact that in honoring me you are also honoring that vast army of thinkers and workers of the past, and those who are carrying on; without whom my work would have gone for nothing," he said. "If I have spurred men to greater effort, and if our work has widened the horizons of men's understanding even a little and given a meas-

ure of happiness in the world, I am content..."

**C**HARLES EDISON tells this story to illustrate what a "kick" Thomas Edison got out of working:

"My father's life in the laboratory was long, but it was never really hard. One time a friend visited him at the laboratory and my father remarked that he had been 'working' for three months on an invention.

"'Why, you never did a lick of work in your life,' the friend remarked with a smile.

"'What do you mean?'

"'You've been enjoying yourself all your life!' the friend declared.

"My father laughed and admitted it was true, for the most part. It was his desire to do things that kept him going.

"But, outside of the laboratory, he always was relaxed and took things easy. He could turn his mind off like a stop watch and start it up again when he wanted to. When my mother would urge him to get out in the open and get some exercise, he would smile and quote Mark Twain to her:

"'Every time I feel the urge for exercise, I lie down and sleep it off.'

"He was always in good health up until the last few months of his life. Never physically strong in the manner of Charles Atlas' adherents, he always ate good food and maintained his vigor until he was stricken fatally."

**A**t the time of Edison's birth, a hundred years ago, there was darkness over the face of the earth when the sun went down. On October 21, 1879, a new light was born. On that day, after more than 6,000 consecutive experiments extending over a period of

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many months, he produced the first successful incandescent electric light bulb. An incredulous world beat a path to his laboratory at Menlo Park to witness this new marvel of science. He already had become known as "The Wizard of Menlo Park," having proved another device that was to put music in millions of homes—the phonograph.

Edison, in effect, was the creator of the present vast electric light and power industry. He always considered it his greatest monument. But he sold his electric light business soon after his invention for a comparatively paltry sum and dumped most of his light and power stocks on the market in the early Nineties so that he could have funds to carry on experiments in other fields.

THREE years after the electric light and power industry was born, in 1882, he established the tiny Pearl Street station in New York. At that time, nothing existed which he could use, so he had to design the generator, distributing system, meters, and everything else that went into the construction of this plant. It had a capacity of only 1,200 horsepower and its first customers were a few hundred wealthy persons living in an area of about twelve city blocks. From this humble beginning, the power and light industry grew until it is today one of the greatest industries in the United States. It has a

total investment of more than 15 billion dollars; it can deliver untold millions of horsepower, and it employs more than half a million persons.

It is a far cry from that first lamp of 1879 to the perfected lamp of today; from the "Jumbo" of the Pearl Street station to the multiple horsepower units of today. But the basic principles underlying the new and the old are identical. Edison invented—other great minds perfected.

In the early days, both the bulbs and the power were far too costly, except for the rich. In the short span of sixty years the number of electric lights has been increased from a few hundred to tens of billions. Whereas sixty years ago only wealthy families could afford electric light, now the poorest families can have it in their homes. The average cost is less than for cigarettes.

AS an inventor of international fame in the later years of his life and, therefore, a public figure of world interest, he realized his responsibilities and felt keenly the influences of his words and acts. That is why, in his later years, he became more taciturn in speaking for the public, since words have a way of becoming two edged. It is easy for myths to grow up around great men, and no man's memory has been subjected to more such bad ideas than that of Edison.



**Q**"In the early days, both the bulbs and the power were far too costly, except for the rich. In the short span of sixty years the number of electric lights has been increased from a few hundred to tens of billions. Whereas sixty years ago only wealthy families could afford electric light, now the poorest families can have it in their homes. The average cost is less than for cigarettes."

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His son makes it plain that Edison's ideas on religion have been misinterpreted in some minds:

"It is commonly said that my father was an atheist—that he disputed the existence of a Supreme Being. Nothing could be farther from the truth. No man ever lived who had greater faith than Thomas A. Edison; no man stood in greater awe of the Unseen Hand which guides the destinies of men and planets; no man ever believed more firmly in the existence of a Supreme Intelligence who patterned both the contours in the snow and made possible the lilies of the field.

"My father often mentioned this Supreme Intelligence. He had more reason to believe in the existence of a divine order in nature than do lesser men, for he had occasion to know more intimately of the order that existed in nature and to marvel at the immutability of natural laws.

"To be sure, he was not an orthodox religionist, and he was as skeptical of creeds in religion as he was in physical science. He refused to believe the commonly accepted doctrines of his day in any field. The application of this attitude in the field of science made it possible for him to invent the electric light, the phonograph, and the other inventions which emerged regularly from his laboratory over a period of many decades. Only a few months before he perfected the filament which made it possible to construct an incandescent electric light, one of the world's most eminent mathematicians had said that it was absurd to think that such a thing could be done.

"In religion, as in material science, my father saw that men are bound down only by their own limited and

self-designated horizons. He saw that knowledge, in either the spiritual or the material world, is as shoreless and as limitless as space itself. Some remarks often attributed to him may or may not have been made by him, but if any of them tend to make it seem that he did not live in constant respect of a Supreme Intelligence, they do him and his memory a great injustice.

"It is often said that he never attended church. This is only partly true. When he was courting my mother in Akron, Ohio, he was a regular attendant with her at the First Methodist Church, and they were married in a Methodist Church. As he grew older, he did not attend because he found it a source of great discomfiture to fail to hear the preacher. He contributed funds regularly to the Salvation Army and often expressed to me his feelings for that organization. He also contributed to churches. He felt that the Salvation Army, in its field, was attempting to do the same thing he was doing in his field—to bring help to the great masses of people who really needed help."

He wanted desperately to contribute to the well-being of every American. Essentially, that is why he lived and that is why he worked so hard all the days of his life. He wanted to help mankind.

**E**DISON's most important inventions were not happy chance. They were planned. And they were planned to help the greatest number of persons at the cheapest possible cost. He was a man with a one-track mind when he set out to invent something that he knew, if invented, would help the great masses.

For example, in experimentations

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leading up to the invention of the incandescent electric light, he ran into dozens of facts that would have helped him invent something else that would be commercially profitable and useful. He would jot down such a note as this: "So-and-so would be useful in constructing a hearing device." But he would not let concomitant facts draw him away from his original purpose. He discovered truths and made notes of phenomena that were useful to other scientists in inventing a whole line of "minor" inventions compared to those which he himself was trying to perfect. He would not allow himself to be shunted away from his original goal—to invent a light that would be useful in *every* home, or to invent a talking machine that could bring entertainment to *all* the people.

**I**N the small, but distinguished, group of Nineteenth Century inventors, all of whom have achieved immortal fame, Edison's views were well known and respected, for each of the great men in his own field who knew him also held his great intellect in awe. He contributed to their work—and they to his. This little group included Henry Ford, who, at a crucial period in his work on the development of a gasoline engine,

was encouraged by Edison; Guglielmo Marconi, to whom Edison sold the patents that helped make wireless practicable; Harvey Firestone, the great tire inventor; Luther Burbank, the botanist, with whom Edison worked; Dr. Charles Proteus Steinmetz, the electrical genius.

He knew all of the great and near great in virtually every field of American endeavor. But you would never have known it if you had waited for him to tell you. He never boasted of knowing either President or prince. He knew every President from Rutherford B. Hayes—Arthur, Cleveland, Harrison, McKinley, Theodore Roosevelt, Taft, Wilson, Harding, Coolidge, and Hoover.

**I**F there was one lesson, however, he would have taught the world, it is that men must think and work if all men are to be helped, if the human race ever reaches that pinnacle of prosperity for which men have yearned through uncounted centuries. All his adult life, Edison kept this framed quotation by Sir Joshua Reynolds in his laboratory and office:

"There is no expedient to which a man will not resort to avoid the real labor of thinking."

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### Future Budget Requirements

**W**e have now reached a point at which a balanced budget has become a national necessity. This objective can be attained only by reducing total government spending, since taxes are already at levels which stifle individual and business initiative. But government spending will not be cut sharply until there is a public realization of how much \$41,000,000,000 really is, and of the inflationary dangers inherent in a continuation of such spending."

—EDITORIAL STATEMENT,  
*The New York Times.*



## A Utility Lawyer Asks for Help

*Utility operators can and must assist the lawyer in humanizing (and training company personnel to humanize) their company's relations with the public. Otherwise, not only are lawyers' purely legal tasks made more difficult to perform, but the successful operation of the entire enterprise may be endangered by a deterioration of the company's public relations in the community.*

BY EDWARD O. TABOR\*  
CHIEF COUNSEL, WEST PENN POWER COMPANY

WITHOUT speaking technically, there are two conceptions of the law which have been defended, perhaps uncritically, in the course of the ages. One—and I know it is very hard to follow in 1947—is that the law, as an abstract absolute, came down from heaven—pure and undefiled, and that somehow the judge, when he put on his black robe and wig, laid aside his human shortcomings and, by inspiration or so-called pure reason, pronounced the right law with every decision. There was a touch of sanctimoniousness about that romantic and self-serving concept, whether asserted by the ecclesiastical courts or by civil magistrates under some handy device of Divine right.

There is another view proclaimed in pure realism or outright cynicism, and that is that laws are the earthy products of selfish human beings, deliberately laid down by those in power with malice aforethought, in order to advance and

preserve their own preferred status and power. That philosophy once justified human slavery and witchcraft, and it sneered at all appeals to ideals or humanitarian concepts. That doctrine takes on its most cynical form when a Hitler, appointing his judges in 1935, tells them that it is their duty to make decisions according to the written laws of Germany if there are any, but (whether there are any written laws or not) always to decide according to dominant public opinion.

Basically, both the above views are equally repugnant to men and women who want fairness and reason at the foundation of the social order. Arbitrariness is the common earmark of both systems, and tyranny is the net result in both cases. The hypocritical cloak of sanctity, like the brazen admission of arrogant cynicism, is the sure father of despotism, whether it be in the social, the religious, the political, or economic order. Dictatorship can masquerade under many disguises, and it has done so for 5,000 years. Shake-

\* For personal note, see "Pages with the Editors."

## A UTILITY LAWYER ASKS FOR HELP

speare told us that the devil hath power to assume a pleasing shape—and he knew human nature.

**W**e who are trained in the Anglo-American concept of the common law, rightly shun both these discredited and autocratic views. To us, law should be a set of reasonable rules, laid down in advance by human beings for the preservation of life, liberty, and property. Law should advise human beings of what is and what is not permitted—of what is right or wrong. This view of the law provides amply for the human element, both in the statement of the law and in its administration, but it also denounces as inhuman and arbitrary any opportunistic violation of the law by its administrator for the advantage of his group or party.

Lovers of freedom will not admit that the end justifies the means *unless* the means are decent and reasonable and fair. Or, stated in another way, we believe that the game should be played according to the rules, and we believe also that the rules should be laid down clearly before the game begins. They should not be changed in the middle of the game. A baseball game played under rules improvised at the moment would result not only in more pop bottles and injured umpires, but would, of necessity, result in the abolition of the game itself. Even the great indoor sport of poker, played without knowing the rules of the game and the rules of the house, would be as senseless as it would be lawless.

**A**gainst this background of basic legal concept, I, as a utility company lawyer, would like to discuss certain problems inherent in the lawyer's position—with relation to the opera-

tors of the company. I shall propose very little that is new. The gist of my message is simply this: that all of us should constantly keep in mind the *human* elements in the law—as it is now administered in our state and nation. In this way, all of us, as responsible representatives of a powerful and essential industry, can work to achieve two simple but very valuable results: *first*, the avoidance of avoidable litigation and, *second*, the creation of a healthy company-employee relationship, a fair customer-company relationship, and a favorable company-public relationship within the areas which we serve.

Stated in another form, my suggestion is that the utility operators see to it, as much as possible, that we lawyers are given purely *legal* problems to solve, rather than legal problems encumbered and confused by unnecessary human complications—complications arising out of resentment, suspicion, misunderstanding, and hate.

In these days of increasing regulation, the lawyer's job is difficult enough if he sticks to interpreting the law as it is written and applied. Predictability was once the very essence of our legal procedure. Today it is becoming more and more doubtful. The vast increase in statutes, rules, regulations, and directives pronounced, interpreted, and administered by thousands of improvised officials, whose word is law, makes predictability almost impossible. And yet there is an element of predictability even in the reaction of human beings in all your fields of action, and it is *that* phase of the topic I will discuss.

**I**t is true that human beings in the mass are unpredictable, but we know from experience that *individual*

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customers, *individual* owners of land over which we seek rights of way, *individual* debtors and creditors with whom we deal every day, *individual* victims of accidents arising out of our use of electric current or automobiles, and *individual* jurors or examiners who sit as our judges, are very predictable as to certain basic human reactions. For one thing, they all resent lack of courtesy and consideration, pettiness, hard dealing, and technical advantages gained by the strict application of rigid rules. People don't like to be pushed around—even by those who have the "right" to do so. The law may be with us when we assert our "rights," but resentment which is incurred in pursuing a legal right pays poor dividends.

"There is as much human nature in some folks as there is in others, if not more," said wise old David Harum, some fifty years ago, and we will do well to recognize the fact that if we unnecessarily arouse the resentment or suspicion of some individual within our business area he will, if the opportunity ever presents itself, get even. If he is a fellow employee, his resentment may take the form of an unhappy relationship in our department or company, or the injured person may get his satisfaction by giving an excessive verdict against us in a damage claim; or he

may get even by compelling a condemnation proceeding which should have been settled by agreement; or, under the spell of a ruinous appeal to ignorance by demagogue or mountebank, he may cast a vote in an election which threatens an industry which, on the whole, serves him efficiently and well, and at low cost. All of these extra-legal complications make the lawyer ask for help, because they increase his burden.

**N**ow, as a lawyer, I should not ask favors of a court or jury or commission. It is not my job to ask favors. It is my job to demand rights. That is, I do not ask that the cards be stacked in my favor, but neither do I want the cards stacked against me in any of those tribunals by something which the company or its employees have done or failed to do in the field of personal or business relations. A hostile community will normally furnish jurors who will more readily produce hostile verdicts. A hostile examiner can very easily—even innocently—lay the foundation for a hostile commission ruling which will be difficult to remedy or appeal.

A dozen nominal settlements of doubtful damage cases may some day help to avoid an outrageous punitive verdict in a major damage suit. If, from experience or hearsay, the man on the street believes that the company



**G**"In these days of increasing regulation, the lawyer's job is difficult enough if he sticks to interpreting the law as it is written and applied. Predictability was once the very essence of our legal procedure. Today it is becoming more and more doubtful. The vast increase in statutes, rules, regulations, and directives pronounced, interpreted, and administered by thousands of improvised officials, whose word is law, makes predictability almost impossible."

## A UTILITY LAWYER ASKS FOR HELP

is decent in its ordinary normal business and human relations, that persuasive fact will speak out eloquently when a judgment is being made in the jury box or at election time. A foundation of good will at the point of first contact is often of far more value than the most expert legal advice later on. Our aim should be production, not litigation; happy people, not subtle disputants; mutually profitable deals, good relations, and dividends, not successful law cases. In short, private ownership must be more and more responsible and responsive to public duty and common welfare, if it hopes to answer the zealot or the demagogue who is about today.

**W**HY is it that even the best trained lawyer, today, cannot predict or advise with certainty? In part, this is because of the increasing rôle played by the human element. Inexperienced and untrained men, often politically appointed, are in charge of bureaus, where they write rules and issue orders by the thousands. This, of necessity, emphasizes the human element in our modern legal procedure.

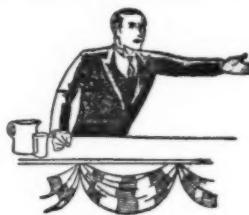
When we are told, as we were in the recent Hope Natural Gas Case, that "if the total effect of a rate order cannot be said to be unjust and unreasonable, judicial inquiry is at an end," we see how dependent we are on someone's personal opinion. When we are *further* told that "A commission's order is the product of expert judgment which carries a presumption of validity," we see how necessary it is to consider the human element in every step, before, during, and after litigation.

In our dealings, therefore, with our customers, with our fellow employees, and with the public generally, it is sug-

gested that we ask the question, "Is this fair?" rather than "Is this legal?" In exceptional cases, of course, where fundamental principles are at stake, the issues must be fought out on the hard, stark legality of the situation. But, in the ordinary routine of our businesses, the test of fairness is a pretty wise test. We may win battles by insisting on all our legal rights, but we can also lose the war.

**I** SHALL let one illustration serve for the many that we can all think of where legal problems are unnecessarily tied up with human emotions. A truck driver runs over a child and takes the child to the home or hospital. This is all to the good. But he never calls the home or hospital to find out how the victim is getting along. Legally, of course, it makes no difference what he did after the happening of the accident, as long as he complied with traffic requirements to disclose his identity, render necessary assistance, notify police, etc. Legally, his guilt or innocence depends upon his actions immediately *before or at* the time of the accident. But every lawyer and every claim agent knows that when a parent can honestly say that the driver never called or inquired about the condition of the victim, it makes all the difference in the world when it comes to a settlement or when the case reaches the jury. Emotions outweigh reason. A perfectly good legal defense goes right out of the window. For these reasons, I repeat, we lawyers need help from the operators.

During the past decade, in America, our whole social, economic, and legal system has moved over more and more to what we euphemistically call the



### Modern Legal Procedure

**“W**hy is it that even the best trained lawyer, today, cannot predict or advise with certainty? In part, this is because of the increasing rôle played by the human element. Inexperienced and untrained men, often politically appointed, are in charge of bureaus, where they write rules and issue orders by the thousands. This, of necessity, emphasizes the human element in our modern legal procedure.”

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Left. As a consequence, there has been more and more personal control exercised over our lives, our property, by men—singly or in groups—termed “experts,” whose decisions “carry the presumption of validity.” Success itself has become suspect, and managers have been legislated out of power while untried “experts” have been legislated in. Idealistic zealots and ruthless opportunists, alike, have cashed in on this new program, and it seems that wisdom requires that the balance be readjusted and kept steady if our country is to remain a government of laws.

**I**n keeping this balance, the great industries of America, and particularly the public utilities, can play a vital rôle. They must strive to build and maintain a happy company-employee relationship. They must strive to establish an increasingly mutually beneficial company-customer relationship. They must assure the average man in

the street that American industry is a socially responsible and responsive institution. Our people must be instructed and shown that only by increased production can increased wealth be really achieved and shared. A bigger pay envelope which buys less groceries, shelter, radios, shoes, and nylons, is a delusion and a snare. Labor and capital—employers and employees—are in the same boat, and rocking the boat by one endangers the life of all. The old-fashioned truth that there can be no wealth without work must be demonstrated. Our people must be convinced to the point of action that our private enterprise is the most successful, the most productive, and, therefore, the most rewarding—and the most human—order in the world. In short, the average man must feel and believe that American industry is fair as well as efficient and successful. Abstractions will not move him. He, personally, as a man, as a worker, and as

## A UTILITY LAWYER ASKS FOR HELP

a father, must feel concretely that he shares in the efficiency and success of our economic order; otherwise he is not interested or hostile.

As members of a great industry, we can all do our part in this long, hard process of education and demonstration by humanizing every area of the law which comes within our own personal domain. Thereby we can make the public, with which we deal, know and feel, out of their own actual experience, that we combine fairness with power and generosity with profit. By such a program, at least in part, we can

answer the demagogue who appeals to prejudice and ignorance.

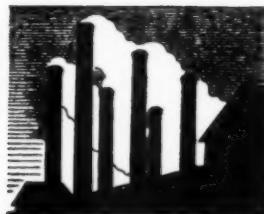
In this connection, I submit that twenty-five years of uninterrupted prosperity in this country will do more than a million speeches or another war to confound the Communists and the Fascists. We must not have another depression, with hungry men walking our streets. Our economic system must work. American men and women must feel that our system is human as well as efficient. By such a program, at least in part, we can help to preserve our successful, free, and dignified American way of life.



### What Is Inflation?

**“O**f all words in the economic vocabulary inflation is probably the most loosely and improperly used. It means so many different things to different people that it has become almost useless for the accurate communication of thought. Many people think of rising prices and inflation as one and the same thing. Of course, it is true that inflation manifests itself in rising prices, but they are not the same thing. A more useful description of inflation, and one which is more calculated to promote sound thinking about it, is one which emphasizes its causes. In inflation three conditions exist. One is that people have a lot more money than before. The second is that they spend more freely instead of saving the excess. The third is that there are not enough goods and services in the markets to satisfy the enlarged demands. These conditions push prices up. The price increases are the effect, the consequences, of the three basic inflationary influences.”

—ALAN H. TEMPLE,  
Vice president, National City Bank of New York.



## Will the FPC Drive Natural Gas Out of the Fuel Market?

*Recent decision of the U. S. Supreme Court sustaining the expanding jurisdiction of the Federal Power Commission over the gathering and production of natural gas, notwithstanding statutory qualifications, is viewed as a possible basis for an industrial trend away from the continued exploitation of gas for sale as fuel in interstate commerce. An alternative technique for local conversion from gas to gasoline is discussed.*

By SAMUEL H. CROSBY\*

**A** YEAR-END review shows that the Federal Power Commission, during 1946, issued nearly one hundred certificates of public convenience and necessity authorizing additional investments by natural gas companies aggregating an estimated \$316,470,290 and the construction of 7,298 miles of transmission lines of various sizes. Meanwhile, its accumulated backlog of still pending applications for additional certificates, many of major importance, approximates one hundred fifty. In order to satisfy current public demand for convenient natural gas fuel the investments already authorized must be doubled or trebled. That demand is insistent from Kansas City to Boston and Jacksonville to St. Paul.

The spotlight is once more upon the

commission. Its focus is somewhat sharper than usual because of concurrent events unrelated to the commission's valiant efforts to deal with an unexpectedly comprehensive expansion program of the natural gas industry. There is basis for speculation concerning the effect of these events upon the future of the interstate pipe-line industry.

When the Canadian River-Colorado Interstate and Panhandle rate cases were decided by the Supreme Court, something over a year ago, major interstate suppliers of natural gas became genuinely alarmed because a 5-to-4 majority of the Supreme Court upheld the Federal Power Commission in applying its original cost theories to the very risky business of wildcatting and developing new gas reserves. The result of this policy was to allow a pipe-

\*For personal note, see "Pages with the Editors."

## WILL THE FPC DRIVE NATURAL GAS OUT OF THE FUEL MARKET?

line company much less for the gas it produces than it usually pays other producers having gas to sell in the same area.

The industry did not, however, become thoroughly aroused until appeals were taken and adversely decided in the Cities Service and Interstate (Louisiana) rate cases in which final denial of certiorari by the Supreme Court was spread upon the record only last month.

**T**HE Federal Power Commission would seem now to have ample power at its unfettered discretion to apply its net investment rate base methods to production and gathering and fix the well-head price of any gas entering a pipe line for interstate transportation whether that gas be produced by the pipe-line company or purchased from others and whether or not produced in association with oil. The express exclusion of the business of producing and gathering from the jurisdiction of the commission, blandly ignored, has been completely nullified. The commission may also, presumably, subject oil companies and other independent suppliers of pipe-line gas to the exacting requirements of its Uniform System of Accounts.

Conservation was a prominent theme during the commission's recently concluded gas investigation, and as one of the principal witnesses in that investigation said:

Sometimes it is difficult, I have been told, to legislate conservation; but when conservation is clearly and immediately profitable no legislation is needed.

The allowance of 2 cents or less per thousand cubic feet for natural gas produced at their own risk from their own reserves by the Panhandle, Canadian

River, and Cities Service companies, operating in the midcontinent area, cannot fail to have a depressive effect upon future exploration and development there and elsewhere. This depressive effect will hardly be offset by the recent order of the Oklahoma state commission which declares that the sale of gas for less than 7 cents at the wellmouth constitutes economic waste. This order will, of course, travel through all the courts.

**T**HE Interstate (Louisiana) Case reduces the gathered price of pipeline gas in the Monroe field from 7.39 cents per thousand cubic feet to 4.66 cents per thousand cubic feet. The state of Louisiana, professing great concern for conservation, has strict rules for the drilling and finishing of wells, which render production more expensive than in some other jurisdictions. It is the consensus of those who should know that such a reduction as the commission has required in the Louisiana case will be a serious handicap to further conservation measures of the state's agents.

Among the dilemmas arising out of this whole situation is the realization among executives of major pipe-line companies that since an arm's-length purchase price paid for gas has invariably been allowed by the commission, no inducement remains to develop the companies' own reserves and supply the public without profit. These reserves cannot perhaps be sold profitably since a nonaffiliated prospective purchaser would expect its operations to be regulated by the Federal Power Commission. Moreover, traditionally the commission prescribes a rate base not exceeding the original cost to the



### Gasoline from Dry Natural Gas

**A**t Brownsville, Texas, Hydrocarbon Research, Inc., is building a \$15,000,000 plant to produce gasoline from dry natural gas. The plant is located at Brownsville because ample fresh water is available. The plant will obtain its supply of dry gas from fields within 60 miles of Brownsville. One of the reasons for the selection of Brownsville was that no oil has thus far been produced in the half-dozen principal gas fields from which the plant will take its raw material."

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owner "first devoting the property to public service." In other words, if a production property costing the present owner \$1,000,000 should be sold to a nonaffiliated purchaser for a present going market price of \$5,000,000, and that purchaser, as a natural gas company, comes under regulation of the commission, the selling price of his gas would be found by allowing a limited over-all percentage return on the *original owner's investment* and not on the *price paid* by the purchaser.

**D**URING the slow processes of unsuccessful litigation involving adjudication of the commission's power just discussed, technology has contributed new factors. While the Petroleum Administration for War was exploring the petroleum resources of the continental United States it was discovered that additional reserves of nat-

ural gas have been found during recent years at a rate much faster than production and use. Because of meager petroleum resources available to Germany more than twenty-five years ago, scientific attention there was concentrated upon extraction of gasoline and lubricants from coal.

The various German processes, particularly the Fischer-Tropsch, had reached a high degree of success before the Germans went to war. Our scientists were thoroughly familiar with this progress, but our own resources when war came were so ample that application of synthetic processes in this country had mostly been cataloged for future reference except for the routine research of the Bureau of Mines. Now, however, after engineering improvements upon the Fischer-Tropsch process, American industry, with unlimited capital and scientific skills available, is

## WILL THE FPC DRIVE NATURAL GAS OUT OF THE FUEL MARKET?

entering the southwestern market as a potentially powerful competitor for dry gas. Here may perhaps be industry's answer to Federal policies which are rendering further extension of interstate public service both vexatious and relatively unprofitable.

**A**t Brownsville, Texas, Hydrocarbon Research, Inc., is building a \$15,000,000 plant to produce gasoline from dry natural gas. The plant is located at Brownsville because ample fresh water is available. The plant will obtain its supply of dry gas from fields within 60 miles of Brownsville. One of the reasons for the selection of Brownsville was that no oil has thus far been produced in the half-dozen principal gas fields from which the plant will take its raw material.

The process used is called the Hydrocol Process and in testimony before the Federal Power Commission, P. C. Keith, president of the company and one of the nation's best known scientists, stated:

Hydrocarbon Research, Inc., has developed an economic natural gas-to-gasoline process. Known as the Hydrocol Process, it consists of the conversion of natural gas to a mixture of carbon monoxide and hydrogen, followed by catalytic reaction to produce liquid hydrocarbons boiling substantially within the range of gasoline. By-products are high-grade Diesel oil and oxygenated compounds such as alcohols.

The residue of the *extraction* of gasoline from "wet gas" is pipe-line gas of superior quality. The Hydrocol Process yields no pipe-line residue—as a matter of interest the dry gas is entirely converted, the final residue being only *water!*

**T**HE Brownsville plant will process approximately 64,000,000 cubic

feet of gas daily, estimated to produce 5,800 barrels of high-octane gasoline and 1,200 barrels of Diesel oil, plus some 300,000 pounds daily of crude alcohol and other crude chemicals.

As an index to competitive factors which may rather quickly and very materially affect future supplies of Texas gas for eastern markets, the company has assured itself of long-term reserves of dry natural gas, the cost of which delivered to the plant will be approximately 5 cents per thousand cubic feet. At this price for raw material the company estimates its manufactured cost of high-octane gasoline at 5 to 6 cents per gallon. In his testimony Mr. Keith stated:

Our oil reserves are dwindling. The proved reserves of natural gas, on the other hand, have increased materially in recent years and the indications are that this trend will continue. In fact, the present production rate is only half the rate of discovery. If the production rate were doubled, thereby approximating the rate of discovery, and if this incremental production were converted to gasoline and oil, motor fuel production would be stepped up 25 per cent.

**M**R. KEITH called attention to the fact that the Standard Oil Company of Indiana is committed to a similar project and the construction of a plant in the Hugoton gas field of Kansas and stated:

Hydrocarbon Research, Inc., are not the only people in this field. So far as I know every research laboratory of any size in the oil business has been working on it, and certainly as many as three major oil companies think that it presently is economic.

He also said:

We are discovering gas at a rate faster than we have been using it—a rate which would allow the consumption of four trillion more feet per year without hurting the reserve picture at all.

\* \* \*

Furthermore, the manufacture of gasoline from coal is only one step removed from the manufacture of gasoline from natural gas.

## PUBLIC UTILITIES FORTNIGHTLY

With our huge coal reserves, an economic coal-to-gasoline process would have the effect of underwriting this country's gasoline and oil requirements for centuries to come.

The interstate pipe lines have drawn heavily upon the nearest abundant sources of dry gas in Texas, Oklahoma, and Kansas, and since Texas alone contains more than half of all our natural gas reserves that state will be peculiarly benefited by the technological processes such as those described by Mr. Keith which have to do entirely with dry gas as raw material.

**S**UCCESSFUL operation of the Brownsville and Kansas plants in Mr. Keith's judgment will have the effect of doubling our oil reserves and

Then natural gas will begin to compete with crude oil as a raw material from which to produce refined products.

\* \* \*

But how does this development directly and indirectly affect the gas industry? The effects could be fundamental and far-reaching . . . gas prices will go up . . . gas at the wellhead may well be worth 10 cents per thousand within the next decade.

\* \* \*

I should think any rate-making body would logically base its calculations upon this competitive and possibly posted price of nat-

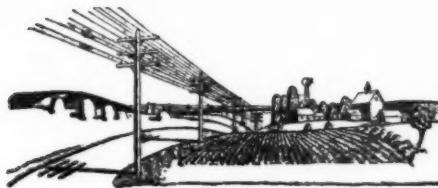
ural gas rather than upon the present assumption that a gas well is an integral part of a pipe-line system.

Two or more years must elapse before all of the new pipe lines which the Federal Power Commission has now authorized can be built. Before they are completed the predictions of Mr. Keith will be fully tested. Furthermore, collateral research by Hydrocarbon Research, Inc., the Bureau of Mines, and others, will undoubtedly advance the technique of production at the mines of 1,000 BTU pipe-line gas from coal. All of these and many other related matters were developed in testimony before the commission at the Washington hearings in its gas investigation by scientists of outstanding reputation.

Will the commission now be influenced in its regulatory policies to place increasing reliance upon natural economic laws and to adopt rate-making policies of greater flexibility? Depressed field prices for natural gas are unfair to producers, to landowners dependent upon percentage royalties, and in the ultimate market to competitive fuels.

### Stanolind to Make Gasoline from Gas

**T**ENTATIVE plans to tap the vast natural gas reserves in the Hugoton field in southwestern Kansas as a source of high-grade gasoline and distillate fuels have been disclosed by the Stanolind Oil & Gas Company, a subsidiary of the Standard Oil Company of Indiana. With estimated reserves of 23 trillion cubic feet, Hugoton is said to be the largest gas field in the United States. E. F. Bullard, president of Stanolind, which has its headquarters in Tulsa, Oklahoma, said construction of a plant to make commercial petroleum products through synthetic methods from the gas would be "another important step in the conservation of the nation's natural resources." The company proposed to process 100,000,000 cubic feet a day, which would yield about 6,000 barrels of gasoline and 1,000 barrels of distillate fuels.



## The Race to Capture the Farm Power Market

Industry surveys and other sources indicate that service will be extended to 940,000 farms between now and 1948 and that a total of about 5,000,000 farms will either be using electric service, or so located that such service is readily at hand.

By T. N. SANDIFER\*

THE war accelerated the mechanization of the American farm and, with it, the postwar demand for rural power.

The Rural Electrification Administration, through its various spokesmen, including the present administrator, Claude R. Wickard, has made much of the prospect lately, and claims that the agency saw it coming. It has laid on what amounts to a campaign, in recent weeks, to show that private utility concerns were completely blind to this great new power market and, by inference, to convince its hearers that this amounts to a default of their natural interest in this market, on the part of the private companies. Conversely, by inference, the field belongs to public power and specifically to REA-sponsored enterprises.

Whatever the merits of this issue,

which will be referred to again, REA and other utility spokesmen appear to be in somewhat more agreement that the field for power is there. As to how much of a field, REA is much more expansive than the more experienced appraisal of the private utility experts. In the meanwhile, and for what the rural consumer may offer, the race is definitely on between REA and private utilities for this market.

The Bureau of Agricultural Economics of the Department of Agriculture has just concluded a survey as a result of which it has advised departmental authorities that farm use of central station electric power has expanded rapidly, even during the war years. In fact, it was pointed out, the increased mechanization of the farm accounted for the ability of the American farmer, with his help curtailed by the draft and war industries, to produce adequate food not only for this nation, but a

\* Technical editor and business journalist, Washington, D. C.

## PUBLIC UTILITIES FORTNIGHTLY

goodly portion for the rest of the world.

"From 1940 to 1945 there were more than 650,000 new installations on farms," the bureau reported. "In 1945, over 45 per cent of the farms in this country had central station electric power, as compared with 26 per cent in 1940, and 9 per cent in 1930. It is expected that farm electrification will increase rapidly in the next five years. Its use in farm production is mainly as a source of stationary power around the farmstead, but the contribution of electric lights and heat to the production of poultry and hogs and to some other enterprises should not be minimized."

**T**HE BAE further observed that "the impact of mechanical power and associated equipment on the transformation of agricultural production in the interwar and war years may well be compared to the agricultural revolution that followed the introduction of improved machinery for use with animal power."

The mechanical power phase of farm mechanization has not yet been stabilized, in fact, said this agency.

Administrator Wickard, in a recent address (before Illinois Association of Cooperatives), went into more detail.

"REA co-ops throughout the country report large increases in farm consumption of electricity during the past few years," he stated. "In fiscal 1945, REA-financed systems distributed more than 2,200,000,000 kilowatt hours of electric power. Our figures for 1946 fiscal year have not yet been compiled, but reports from various states indicate that all except a very few REA co-ops will show another increase in wholesale power purchases."

FEB. 13, 1947

TVA, Bonneville, and other agencies report the wartime consumption levels have been maintained through the re-conversion period, he recalled—a fact that has been reported also, and somewhat earlier, but Mr. Wickard expands this information into what amounts to an official plug for extending the present public power domain beyond present conceptions.

Declaring that the need of more power "is becoming acute in many sections of the country," Mr. Wickard warns that "We cannot afford to assume that, because there was not an acute power shortage during the war, for war industries, shortages will not develop when farm people have the opportunity to put electricity to all the profitable uses they have in mind."

**I**N fact, after some acrimonious charges of obstructive tactics on the part of private power in certain cases, Mr. Wickard even advised his opposition through this talk that "they had better spend the time studying how to meet the great demand for electrical energy that will come with the REA area coverage expansion and with the greater use of electricity by rural consumers when they are able to get the appliances they need."

All of which development, as he traces it, and as projected by the other agencies reporting on the matter, the private utilities failed to anticipate, according to Administrator Wickard.

He is fond of citing a letter to the administrator of REA, at the time the agency was being launched, expressing, as he claims, "the considered views of the utility industry" which said, in part:

"... there are very few farms requiring electricity for major farm opera-

## THE RACE TO CAPTURE THE FARM POWER MARKET

tions that are not now served. Additional rural customers must largely be those who use electricity for household purposes and where the total use should bear a fair relationship to the cost of extending and furnishing the service."

That was in 1935, Mr. Wickard recalls. But, he adds, "the leaders of the utility industry have made very few changes in their repertoire since that time," and he refers to the opposition of private utility interests to the Lucas Bill last year, providing for enlarged REA activities.

Well, let's see. In 1935 many farmers were just drawing a deep breath after seeing the sheriff and the auctioneer walking away from the homestead, postponing the forced sale of land and stock that had threatened since 1932. Not only utility executives, but farm machinery makers and others whose sales depended on farm prosperity were inclined to view the immediate future of farm consumption with considerable reserve in that period.

IT was only a short time earlier that a county agent in a large southern state, credited with advanced agricultural ideas, nevertheless contended, in talking with this writer, that the average mechanized farm equipment was not for the usual southern farm. It was uneconomical, he argued. The view, this writer found, was widely held in other southern states, so that it was no

surprise that the BAE, in the above-mentioned survey, reports that mechanization has been relatively slower in the South than in, say, the Midwest, with its prairie corn fields and wheat crops. A leading farm machinery maker, only recently, confirmed this view when we mentioned it. He recalled that it was a widely held notion that farm machinery was uneconomical for farms below a certain level.

As a result, he added, when the war came and farms in that section found their labor flocking to the war industry centers, they could not get an enlarged quota of farm machines, because, historically, their distributors had not absorbed larger numbers, and no provision had been made for this suddenly expanded market by the makers, especially under the stress of enforced curtailed farm machinery output. But, he said, that market will be covered in the future. The machines have been adapted to the farms. And, he said, and his idea is supported by agricultural experts, if a farm today will not take present-day mechanical equipment, it is likely too small to properly support the farmer.

Is there an analogy in this?

CAN a case be made for REA under today's conditions on the ground that private utility interests will not go after the market? Furthermore, was REA the only agency in the country



**Q** "OVER 800,000 more farms reported electricity in farm dwellings in 1945 than 1940. Seven out of ten had radios, and more than 300,000 more farms had telephones, compared with 1940. These figures show that the largest proportion of farm electrification is in western states, as regards electricity in the homes, compared with 1940."

## PUBLIC UTILITIES FORTNIGHTLY

that anticipated what has developed as a market for rural power? Mr. Wickard makes an interesting admission in his Illinois address.

"As recently as five years ago," he said, "we had hardly begun to realize the enormous potentialities of farm use of electricity. When REA approved loans on the basis of consumption estimates of around 75 kilowatt hours per month, the Calamity Janes of the commercial power companies . . . predicted wholesale failures among the co-operatives . . ."

He recalled more of the pessimism which he attributed to private companies, but, in the same speech, he made the admission that REA itself had proceeded very gingerly in those early days.

The distribution systems installed by these early co-operatives, using REA money, were on a very conservative, if not restricted, scale. As a result, today's expanding rural power market finds the co-operative systems, in many instances, inadequate. If co-operatives absorb the new consumption demand, they must backtrack on their installations, expanding them accordingly and at additional cost.

Administrator Wickard has stated that "operating reports of REA borrowers reaching us in Washington indicate that 432 of 835 energized REA-financed systems even now are not able to supply all the power needed by their present consumers. Fourteen of the 27 co-operatives in Illinois have reported that they are not able to meet their consumers' present energy requirements."

**M**r. WICKARD recounts what private power executives have com-

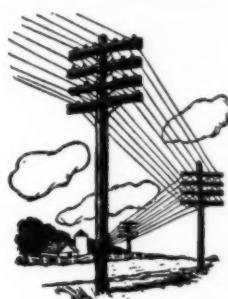
mented on, that "the usual practice in starting a distribution system in the early days of the REA program was to put in a substation at the location most convenient to the existing power supplier's generating and transmission facilities, and start building lines from that point."

This, he says, was satisfactory for a while, but "as new lines were built, more and more of the co-operatives found that the load center of consumption along their lines was getting farther and farther away from the starting point. Increasing numbers of consumers began to complain of unsatisfactory service because of low voltage at the extremities of the distribution system."

Utility men who have recognized this situation have been somewhat surprised that Mr. Wickard would put the matter before co-operative audiences as directly as this. Yet, it merely bespeaks the native caution of the American citizen, that even when operating with borrowed Federal money, and the money was being pushed at them, they elected to go slow. No fault should be attached to this conservatism, even though some handicaps are materializing now.

At the same time, the situation would seem to leave Mr. Wickard no room to gloat over the supposed shortsightedness of the private utilities. Using public investors' money, on which they had to pay something, and for the safety of which they were responsible, they can scarcely be blamed for being equally as cautious as the co-operative executives were with borrowed government funds. The co-ops realized that they probably would have to pay the money back to the government and, according to report, they are doing so.

## THE RACE TO CAPTURE THE FARM POWER MARKET



### Extension of Electric Service to Farms

**I**NDUSTRY surveys and other sources indicate that service will be extended to 940,000 farms between now and 1948. Thus . . . by December 31, 1948, a total of about 5,000,000 farms will either be using electric service, or so located that this service is readily at hand. Most of the remaining scattered farms will have their own generating units."

**T**HERE is a nice question, however, if the private utilities are not now in a better position to enter the remaining field of rural power consumption, with more adequate installations, and perhaps a better conception of the technical difficulties.

While increased substation capacity can solve temporarily the low-voltage problems of many co-operatives, they are now faced with the same material shortages as the private companies, and it may even be that generating facilities will need bolstering, according to REA.

REA reports that its engineers are "assisting" in development of plans for practically all co-operatives, looking to adequate substation capacity for future needs.

Meanwhile, Administrator Wickard declares, "we do not need to apologize for the inadequacy of any existing REA-financed facilities serving rural areas."

He claims they have delivered and are delivering more service per dollar invested than any other rural systems ever built.

The attack on the private utilities' supposed shortsightedness has now been carried by Mr. Wickard from Illinois, through Oklahoma, in a Stillwater, Oklahoma, talk, and through Iowa, at Des Moines, and Indiana. The burden of his attack has been the same in each case, that only the government, through REA, saw what was coming, and only the REA can properly meet the demand.

**T**HIS leaves some question as to what the demand may be. The Bureau of Census has just reported that there were fewer small farms and more large farms in 1945 than in 1940. Reverting to Mr. Wickard again, this impartial finding, showing that even five years after 1935 the situation was

## PUBLIC UTILITIES FORTNIGHTLY

changing, would seem to justify still further the private utilities' views of that time. In other words, both REA and private industry were confronted with a declining number of the smaller type of farm, for which it would appear that the government program was intended. Fewer small farms mean fewer individual rural customers, and if a reasonable proportion of the small farms remaining had their own individual systems, the market is put in a different light than as seen by government enthusiasts.

Statistically, there were 250,000 fewer farms of under 180 acres each in 1945 than 1940. On the other hand, the number of farms of 1,000 acres or more increased 10 per cent in that period.

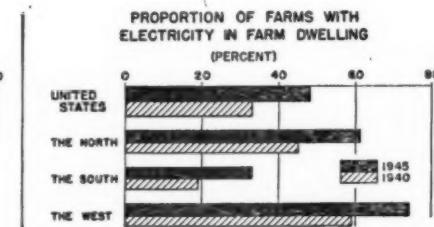
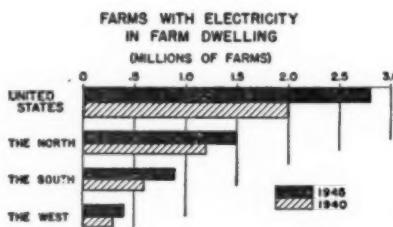
Interpolating here, is it reasonable to suppose that the 1,000-acre farm is a better customer for power than the multiple individual small farms of five years earlier? And, since the increase in number of farms of more than 180 acres has been nearly all in northern states, is it reasonable to suppose that they are already adequately served by the existing private power services that are normally found in that area?

ASSUMING for a moment that these are fairly logical deductions from

the Census figures, they leave another question as to where the future market lies, with respect to the other farms; and the Census has some interesting figures on this subject.

Over 800,000 more farms reported electricity in farm dwellings in 1945 than 1940. Seven out of 10 had radios, and more than 300,000 more farms had telephones, compared with 1940. These figures show that the largest proportion of farm electrification is in western states, as regards electricity in the homes, compared with 1940. By inference the South would seem to promise the largest field for expansion, although striking gains are recorded in the 5-year period. The two tables below, from the Bureau of Census, show the situation more exactly.

There are some other figures from the Census: Of the total of 5,877,000 farms estimated by this bureau for the United States, 561,000 are under 10 acres, and 262,000 of this category are in the South. Also, this number has increased in the South from 253,427 in 1940. In fact, it is only when we get up to farms of approximately 100 acres and larger that this regional tendency disappears. How much of a market for power may be found in the smaller-sized farm, wherever it may be located, is a matter for investigation.



## THE RACE TO CAPTURE THE FARM POWER MARKET

THE figures would appear to support the contention of Grover C. Neff, president of Wisconsin Power & Light Company, and head of Edison Electric Institute, that most of the undertaking of electrification of the American farm can be completed by 1949. He, too, referred to the Bureau of Census to show that of some 5,500,000 occupied farms over the country, about 4,100,000 are within one-quarter mile of electrical distribution lines.

Industry surveys and other sources indicate that service will be extended to 940,000 farms between now and 1948.

Thus, he claims, by December 31, 1948, a total of about 5,000,000 farms will either be using electric service, or so located that this service is readily at hand. Most of the remaining scattered farms will have their own generating units.

Outlining the prospects recently in a talk at Denver, Colorado, Mr. Neff showed that electric operating companies serve at retail about 60 per cent of connected farms and, through wholesale contracts, supply a large part of the electric power used by the remaining 40 per cent. Co-ops, the majority of which are REA-financed, he added, serve about 34 per cent of connected rural customers and all other agencies serve the remaining 6 per cent.

He estimated that during the period 1946-1948, electric operating companies will extend service to about 600,000 farms, REA will finance lines to about an equal number, and other agencies will build to some 40,000 farms, a total of 1,240,000 new farm customers.

All told, he concluded, by 1948 less than half a million scattered farms will

be without service, or using their own plants. It was in this talk that Mr. Neff advanced the thought, later rejected by Mr. Wickard inferentially, at least, that "the two principal groups furnishing the service (to rural areas) get together and make practical, sensible agreements and arrangements for rendering rural service . . ."

MR. WICKARD has oversimplified the ideas advanced by Mr. Neff, it seems in reading the two, as a proposal by private power "to divide the field" in the remaining rural market. A careful reading of Mr. Neff's statements shows that he does mention "a division of the territory yet unserved" but a division based on the economics of each case—let the operating companies serve the farmers nearest the company's lines, and let the co-ops serve farms nearest theirs. Furthermore, let each side know what the other is planning, so there will be coöperation, and not duplication.

In short, as the private utility spokesmen see it, if there is a race on for the unsold remainder of the rural market, let it be a friendly race, primarily concerned with giving the farm consumer what he needs.

In passing, the appliance market is a phase of this situation. An Ohio coöperative, for example, has announced plans to establish a complete electrical farm equipment department.

More probably would be heard of such expansion of coöperative activities if it were not discouraged by some authorities. There is a widespread realization that this trend could well infringe on the local small business operator, and might well boomerang at an inopportune time, perhaps in Congress.



## Britain's Nationalization Growing Pains

Nationalization program is getting the nickname of the British Labor party's "mother-in-law." It seems to be providing the Labor government with a troublesome domestic problem.

BY REGINALD HOBBS\*

THE old vaudeville joke about marriage being an investment in which the "mother-in-law always puts in her two cents worth," is certainly applicable to the British Labor government's nationalization program. Little did the average British citizen and taxpayer realize, when he voted for the Labor government, that the "mother-in-law"—meaning the nationalization program—would move in so promptly and so thoroughly, and have so much to say, and generally turn out to be such a source of domestic discomfort, argument, and expense.

Talking to that rather overworked character in both British and American journalism—The Man on the Street—one gains the impression that he, and many like him, voted out of power the Churchill Conservative party for just about the same reason that the majority

of American citizens voted out of power (in the Congress at least) the Democratic party last November. They were both (American and British citizens alike) war weary, impatient, and, to some extent, resentful over shortages, rationing, restrictions, and the thousands of discomforts and sacrifices which went along with the war effort.

They took out this resentment against the party in power. They voted *against* not *for*. American journalistic colleagues who seem to be in a position to know what they are talking about have assured this writer that, if the American citizen were asked casually on the street, without prompting or preparation, what the victorious Republican party stands *for*, that citizen would be quite likely to flunk the query. At any rate, his British cousin is certainly in a similar position. He has, on the average, only a remote or vague idea of what the Labor party stands *for*.

\* British journalist visiting the United States.

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## BRITAIN'S NATIONALIZATION GROWING PAINS

He probably has a hopeful impression that it stands for something that will be generally beneficial for the masses.

Such war weariness and impatience with things-as-they-are and the party-in-power is a well-known historical aftermath of a protracted war experience. Even though a long-suffering people are victorious, and gratefully acknowledge the skill and patriotic devotion of their wartime leadership—still they are sick of it. They have had enough—to echo a rather recent American campaign slogan. They want a change. Winston Churchill is today personally as popular as ever in Great Britain. So also was Lloyd George following World War I. Doubtless Woodrow Wilson, the great American leader of World War I, and the late Franklin Roosevelt of World War II are likewise revered in America for their valiant accomplishments in war leadership.

**I**N each instance, however, when the votes were counted, the postwar answer to the war party-in-power was the same. In plain words, it amounted to: "You were wonderful; you were marvelous—now begone!" The trouble is, with the current political situation in Great Britain—and I dare say it is a very common domestic trouble which stems from acquiring a mother-in-law—the British people are beginning to realize that, this last time, they did something more than merely vote another change in party controls. They are beginning to realize, in a rather muzzy sort of way, that, like it or lump it, they have voted for something approaching a social revolution.

At the moment I doubt if even the estimable Dr. Gallup could tell us defi-

nitely whether the majority of plain Britishers like it or lump it. I believe they don't really understand it yet—not the full consequences of it, at any rate.

I am not suggesting at all that the Labor government is in any political danger of having its program defeated in the House of Commons. Its majority is too overwhelming for that. Furthermore, at this writing, it had not yet lost a single special parliamentary election in a doubtful borough—always a pretty sure index of which way the British political wind is blowing. But I do say that the British people are entering into a phase of uneasiness. They are beginning to ask questions and they are not entirely satisfied with the answers being given to them.

**I** WAS interested to note some journalistic corroboration of this opinion in perusing a recent London dispatch by the talented John Chabot Smith, published in the *New York Herald Tribune*. Mr. Smith wrote in part:

Most of the people who voted for the Socialist government last year probably did not realize what they were letting themselves in for, and still have not really found out. When they do discover what a profound difference in the British way of life is in store for them at the Socialists' hands, there may be another and more determined struggle and a real effort to bring the issue of Socialism *versus* Capitalism squarely before the public for a final decision. But, for a number of reasons, that is unlikely to happen.

Be that as it may, one can hardly say that the government's leaders lack intestinal fortitude, in plugging ahead with the Labor party's timetable for nationalization, despite complaints. First, there was the program to socialize the Bank of England—hardly a revolutionary step, of itself. In this respect, Britain's privately owned central bank

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was almost unique. Less unique was her private coal mining industry, where production has been going down (per worker) and operating costs have been going up. The Attlee government calculated that nationalization could step up production. The theory seemed to be that the miners, who have been loafing on the job because they disliked producing for the wicked capitalist, would take up their picks and shovels with new vigor when they were mining coal "for the community."

Unfortunately for this pretty theory, just the opposite result seems to be emerging. Although nationalization of the mines has been a foregone conclusion for several months, production per worker is still dropping. The British miners, fired with the prospect of going on the public payroll, show no inclination to work any harder for that reason. In fact, the government has dispatched some experts to examine the American mining production methods to see if they can't import a little Yankee "know how" without taking the Yankee private enterprise system which goes along with it. This may seem rather an ironical development. But the British Labor government sees nothing inconsistent or funny about it.

**T**HE telephone and telegraph industry in Great Britain has for many years been socialized—being conducted

by the Post Office Department. But certain international cable and commercial wireless services were still being operated under private ownership and thus fell into the net of Prime Minister Attlee's socialization program. The House of Commons voted the necessary approval on this, despite a scorching protest from the Conservative benches led by grand old Winston Churchill himself. He criticized the government for a series of measures which, he said, could "lead to the dissipation of means by which more than half of our population live." He also roasted "the campaign of hatred and vilification carried out on the part of one-half of the nation against the other half."

On New Year's Day, 1947, the National Coal Board ran up its blue flag (bearing the initials NCB) over the British mines to symbolize the official taking over of an industry which is estimated to be worth £135,000,000. In a message celebrating the transfer Prime Minister Attlee said that great advances lie ahead if the workers, the coal board, and the government "use their rights wisely." Lord Hyndley, chairman of NCB, prepared his dedicatory message saying that "this is a great adventure and all of us are in it. It cannot be allowed to fail." Those are brave words of a responsible government official faced with the task



**G**"THE British miners, fired with the prospect of going on the public payroll, show no inclination to work any harder for that reason. In fact, the government has dispatched some experts to examine the American mining production methods to see if they can't import a little Yankee 'know how' without taking the Yankee private enterprise system which goes along with it."

## BRITAIN'S NATIONALIZATION GROWING PAINS

of increasing production of an industry that has been going downhill for years, and at the same time carry out pledges for better working conditions.

**I**NVOLVED in the transfer are some 1,500 collieries, formerly owned by 800 companies, and 400 small mines located on more than 1,000,000 acres of ground, plus miscellaneous equipment such as lorries, barges, pit trams, ponies, and so forth. Payment to private companies is to be made by government stock—the exact amount to be computed by an independent tribunal of experts.

To be realistic, Minister of Fuel and Power Emanuel Shinwell could hardly have picked a less auspicious season for the transfer. Britain went into the current winter with advance notice of one of the most severe fuel shortages the nation had ever faced. While this situation might have contributed to a favorable public psychology toward socialization as long as the mines remained in private hands, it cannot escape having the reverse effect, now that transfer has been consummated. Shortly before Christmas one could observe literally hundreds of desolate figures huddled around small open fires stoked from crates and other dock debris, flotsam, and the like in the very streets of Folkestone.

The repercussion of the coal shortage on British industry was shown, the day after New Year's, to be seriously affecting the vital buildings material plants, effecting serious curtailment of the government's housing program. A cement factory in Suffolk, supplying most of the cement through a wide area of the eastern counties, was closed completely. Three hundred men were laid

off when coal did not arrive. The plant's allocation of 600 tons a week had previously been cut by more than half, and two of its kilns were cooled in December.

**A** WARNING statement issued on January 2nd by the London Brick Company, which controls the world's largest brick works at Stewartby, Bedfordshire, said the plant had only a few days' supply of coal on hand. The company said that, if its kiln fires were allowed to go out, it would cost the country 6,000 houses in loss of bricks, plus 1,500 houses for every week company operations were stopped.

Danger signals that production was in jeopardy went out from factories all over the country. Marine engineers, paper works, and chemical plants called urgently for more coal. Meantime, Hugh Gaitskell, parliamentary secretary for the Ministry of Fuel and Power, said at a news conference in Manchester that the fuel position would continue highly critical during the early part of January. Even after that, he said, industries cannot hope to receive as much coal as they had been consuming in the fall of 1946.

Mr. Gaitskell disclosed that, as an emergency measure, coal supplies to industries in the northwest area would be augmented from domestic coal reserves. About 26,000 tons were to leave government dumps early in January. Even with those extra supplies, Mr. Gaitskell was not optimistic that a stoppage in the cotton mills could be averted.

The London, Midland & Scottish Railway announced cancellation or modification until further notice of some train services in the north and



### Effect of Coal Shortage in England

**“T**he repercussion of the coal shortage on British industry was shown, the day after New Year's, to be seriously affecting the vital buildings material plants, effecting serious curtailment of the government's housing program. A cement factory in Suffolk, supplying most of the cement through a wide area of the eastern counties, was closed completely.”

northwest areas for lack of coal. Service on several other routes also may have to be restricted.

**S**IR CHARLES REID, a director of the National Coal Board and in charge of production, said over the wireless that reorganization of Britain's mines should be near completion in fifteen to twenty years, although some new collieries might then still be in the developmental stage. Lord Hyndley said the organization would keep in touch with the consumers through two national coal consumers' councils. “In these councils we shall meet our consumers round the table.”

Troublesome as the coal situation is, Britain at the current writing is suffering even more acute growing pains as the result of its nationalization program with respect to trucking transport. On December 18th, the House of Commons voted 362 to 204 to nationalize Britain's railway system, following

a bitter debate against Conservative opposition led by Anthony Eden, who called the government's bill “a major national disaster.” Herbert Morrison, president of the council, retorted that the nationalization would permit “a bold and considered program of transport development.”

An important part of the transport nationalization, however, is the plan to take over some 30,000 independent truckers. These truckers have raised a storm of protest. And it is probably the weakest spot of an otherwise politically invulnerable program—as one sees the picture today. In other words, if the Conservatives have any chance to beat the Labor government's nationalization program at all, it will be in this field of taking over the numerous small trucking businesses.

**T**HE recent trucking strike which tied up food and other supplies in and about London—while ostensibly a

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## BRITAIN'S NATIONALIZATION GROWING PAINS

difference over wages between drivers' union officials and representatives of the Road Haulage Association — was undoubtedly precipitated in part by anxiety of some of the workers to land on a government payroll. The truck drivers, like the miners, seem to be under the impression that working for the Crown will be rather fun, compared with slaving for the capitalists. We'll see about that, when production and efficiency figures begin to come home to roost in the Exchequer reports.

Commons was slated to take up immediately after the January recess the government's bill for taking over the electric power industry. A bitter debate is certain—so also is the outcome, victory for the government. After that the gas people were due to undergo their Gethsemane. The arrangements for the gas expropriation were rather well covered in the report of the Ministry of Fuel.<sup>1</sup> It all adds up to a bill of nearly £300,000,000. The cost of the power industry expropriation will amount to double that, even assuming that the government expropriates the numerous municipal undertakings on the basis of their outstanding obligations rather than the value of their investments.

ONE thing about British expropriation, which is different from the American practice, is the fact that the government takes over the properties first and then decides what (and how) it is going to pay for them. In the United States, I believe the custom, if not the law, is to have preliminary recourse to arm's-length bargaining; and condemnation by a disinterested tri-

bunal in the event of continued disagreement. Under the American Constitution, the British practice might even be called confiscatory. Conservatives call it worse than that; they call it stealing.

**M**INISTER of Fuel and Power Shinwell failed in his preliminary effort to get the power industry people to coöperate in drafting an expropriation bill. In Great Britain there is very little of the rivalry, if not animosity, between municipal plants and private industry which seems to prevail in the United States. Perhaps it is a case of a truce in the face of a common threat, and all that sort of thing. In any event, both private companies and municipal undertakings belong to the Incorporated Association of Electric Power Companies, and, last summer, J. A. MacKerrell, secretary of the association, informed Minister Shinwell that his group would continue to fight the nationalization program.

Finally, we have the Land Reform Bill explained in the White Paper released by the government on January 7th. While this does not exactly nationalize all real estate as such, it comes so close to it that British property owners are blinking in alarm. As the White Paper puts the plan, very succinctly, this "town-and-country planning bill" delegates control of all future real estate development in Britain to state-appointed authorities. The White Paper also expressed the government's view that "any resulting increase in land value is to be collected in whole or in part by the state in the form of a development charge which must be paid or secured before the development is carried out." The White Paper con-

<sup>1</sup> Summarized in *PUBLIC UTILITIES FORTNIGHTLY*, Vol. XXXVIII, No. 8, page 493, October 10, 1946.

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tinued: "increase in land values which accrues without development is left with the owner."

**N**ow, to get some idea of just what that might mean in terms of American real estate, consider the present value of all realty holdings in the great Mississippi and Missouri valleys which formed part of the Louisiana Purchase. Subtract from that staggering total (this writer hasn't the slightest idea what the astronomical figure would be in dollars and pounds) the amount of £3,000,000 which the United States government paid to Napoleon Bonaparte. Subtract also some judgment figure for the amount of "unearned increment" in the value of such property which could not be directly assigned to property improvements. *The balance would all be 100 per cent taxable by the government under the operation of this proposed bill.*

I believe an early American economic reformer, by the name of Henry George, suggested something of the sort in the United States about the turn of the century. I also believe that his principal success in obtaining recognition was having an excellent 5-cent cigar named after him. In the weeks ahead, during the forthcoming debate on the British government's Land Reform Bill, the Conservative party will wish that a large measure of this good old-fashioned American cynicism could be exported to the British Isles.

Summing up, this writer cannot honestly say that there appears the slightest chance in the immediate future for a political upset for Britain's troublesome and garrulous mother-in-law—the nationalization program. But, even

though it is financed by the government's own IOU's, it is going to be an increasingly expensive program. Seizure of utilities alone, including transportation and communication, plus the mines, will amount to a handsome figure in the neighborhood of £2,000,000,000. In the United Kingdom, as sums go these days, that is definitely not bagatelle. Putting this program through (including now the Land Reform Bill) will mean that 85 per cent of surviving private industry is going to be responsible and charged and taxed for the government's direction and control over the other 15 per cent-socialized industry.

**M**y belief is that, unless the Labor government can perform an economic miracle similar to the Marriage Feast at Cana—literally turning the red ink to black on the ledgers of the Exchequer—the British public is eventually going to be fed up with mother-in-law and throw her out bag and baggage. The trouble is that, with even a Conservative government returned to power, very little could be done about restoring those British industries already nationalized (mainly the utilities) to private enterprise. Converting socialized industries to *status quo ante* is a good bit like trying to unscramble an omelet. The mines were seized because they were losing money. The power companies will be seized because they are "making too much money." Other industries will be seized for other reasons. But they all go into the same omelet.

It is probably too early to issue any jeremiads. Maybe, as the Labor party people insist, these things are just "growing pains."

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# Washington and the Utilities



## *K-Rations along the Potomac*

**C**ONGRESS already has informally served notice on the administration that it is not going to support the various public agencies in the manner to which they have become accustomed during the long era of New Deal budgets. The sarcastic references around Capitol Hill to President Truman's "bare-bones budget" indicate that the Republican leadership is not taking too kindly to the White House request for an increase in appropriation for nearly every peacetime Federal agency.

One Congressman, commenting on the President's quoted remark that he thought he had pared the government expenditures to a "pretty tight" budget, said: "I don't know about the budget, but whoever drew it up for him could well have been in that condition."

What Congress will do, of course, will be to write its own budget for nearly every item. The Truman document is regarded as so far out of line that it will not even serve as an efficient working basis. Of special interest to those concerned with public utility regulation were the following items contained in the President's over-all request for a \$37,000,000,000 appropriation during the fiscal year of 1948. The regulatory agencies all are seeking increases over the current year's (fiscal 1947) expenditures. Including unexpected carry-over funds, the proposed expenditures for fiscal 1948 are: Federal Communications Commission is seeking \$6,875,000, an increase of \$1,315,000. The Interstate Commerce Commission wants \$10,136,000, a boost of more than \$2,000,000; Federal Power Commission wants \$3,905,000, an increase of \$845,000; and the Securities

and Exchange Commission wants \$6,000,000, which would include an increase of \$1,000,000 to "rebuild depleted staff."

**T**HE top spot on the list of spending agency appropriations in President Truman's budget is the new Atomic Energy Commission (no longer classified as a security agency), which would like to have \$443,000,000, plus authorization for another \$250,000,000, to be paid when contracts fall due. The Bonneville Administration and Southwestern Power Administration, both together seek \$7,000,000 more than their previous year—the former would like to have \$20,278,000, while the Southwestern Power Administration wants \$6,622,000.

Reclamation Bureau and Army Engineers are both destined for rather severe carving from congressional scalpels, according to Washington gossip. Both seek increases over amounts spent during the current fiscal year. The Engineers want \$407,000,000 for flood-control and rivers and harbors work, a boost of \$99,000,000, while the Reclamation Bureau seeks \$184,000,000, as compared with \$157,000,000 spent this year.

If Congress is going to make good on Appropriations Committee Chairman Taber's pledge to slash the Truman budget to \$29,000,000,000, some of these spending agencies are going to have to suffer cuts as high as 50 per cent or more, because of certain other irreducible, or relatively irreducible, items in the budget, such as interest on public debt, Army and Navy, administrative expenses for the various Federal agencies, and so forth. And now some members of the House Appropriations Committee, who are warming up to their budget surgery, are

## PUBLIC UTILITIES FORTNIGHTLY

saying that they see possibilities for even doing better than Chairman Taber's forecast. If this should happen, it certainly looks like K-rations ahead along the Potomac for many agencies which have long lolled in plushy comfort.



### *Trouble in the Dissecting Room*

ONE problem of the House budget surgeons is the fact that the budget padding, although admittedly practiced to the point of an almost accepted annual custom, has been by no means uniform. Some of the old-line agencies have kept their budget estimates more or less on the basis of stern reality, especially after reading the election returns. Others have asked for fantastic amounts for bargaining purposes. The result is that any attempt to make a straight percentage cut across the board, on the entire budget, would cause a real hardship in some places and pay a premium on imagination in others.

Added to this is the new requirement of the LaFollette-Monroney Act, which the Congress must wrestle with, for the first time, this year. This new law requires that a subcommittee composed of representatives from the appropriations and taxing committees of both houses of Congress sit down at the same table and decide on an over-all ceiling for both the budget and tax revenues. This "ceiling committee" already is hard at work, but it is doubtful if its labors will be completed in time to report back to Congress on the February 15th deadline. But until these ceiling questions are decided, the Appropriations committees will not know how much to cut, nor where.

**T**HIS is not stopping the Appropriations Committee from going ahead with its labors, however. It is apparently working on the idea of trimming off the more obvious fat in each agency request, then determining a tentative minimum, subject to further adjustment, when the over-all budget requirement is known. The Appropriations subcommittees have

all been named. The personnel of those operating on agencies of interest to public utilities are as follows:

*Independent Offices* subcommittee (handling funds for all the Federal regulatory commissions and TVA). Republicans: Chairman Wigglesworth (Massachusetts); Coudert (New York); Robertson (North Dakota); and Phillips (California). Democrats: Hendricks (Florida); Andrews (Alabama); and Thomas (Texas).

*Interior* subcommittee (handling funds for Reclamation, Bonneville, etc.). Republicans: Chairman Jones (Ohio); Jensen (Iowa); Fenton (Pennsylvania); and Stockman (Oregon). Democrats: Kirwan (Ohio); Norrell (Arkansas); and Gore (Tennessee).

*Agriculture* subcommittee (handling REA funds). Republicans: Chairman Dirksen (Illinois); Plumley (Vermont); Anderson (Minnesota); Horan (Washington); and Phillips (California). Democrats: Cannon (Missouri); Shepard (California); and Whitten (Mississippi).

Over on the Senate side the corresponding subcommittees of the Appropriations Committee membership also were announced by Chairman Bridges on January 22nd.

*Independent Offices*. Republicans: Reed (Kansas); Bridges (New Hampshire); Brooks (Illinois); Cordon (Oregon); Ferguson (Michigan); Saltonstall (Massachusetts). Democrats: Green (Rhode Island); Russell (Georgia); McKellar (Tennessee); Thomas (Utah); O'Mahoney (Wyoming).

*Interior* subcommittee. Republicans: Chairman Wherry (Nebraska); Gurney (North Dakota); Ball (Minnesota); Cordon (Oregon); Reed (Kansas); Knowland (California); Dworshak (Idaho). Democrats: Hayden (Arizona); Thomas (Oklahoma); O'Mahoney (Wyoming); McCarran (Nevada); Overton (Louisiana).

*Agriculture* subcommittee. Republicans: Chairman Brooks (Illinois); Gurney (North Dakota); Reed (Kansas); Ferguson (Michigan); Cordon

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## WASHINGTON AND THE UTILITIES

(Oregon); Young (South Dakota); Dworshak (Idaho). Democrats: Russell (Georgia); Hayden (Arizona); Tydings (Maryland); O'Mahoney (Wyoming); McCarran (Nevada).

### *Perspiration in the Reducing Chamber*

THE Interior Department was the first to go before the House subcommittee for justification of its budget. Secretary Krug appeared as the principal witness for his bureau. While the big, genial Secretary of Interior managed to keep his relations with the Congressmen on a most cordial basis as usual, reports seeping out of the executive session were to the effect that he did not have altogether an easy time of it.

During his visit to the West coast last fall, Krug took occasion to complain about eastern membership on the Appropriations subcommittee which handles Interior's funds. He was then referring to the 79th Congress, under which former Representative Jed Johnson, Democrat of Oklahoma, took the rôle of Interior Department's "best friend and severest critic."

The chances are when Secretary Krug took one look at the membership of the House subcommittee of the 80th Congress, he had some reason to wish for the good old days of Jed Johnson. Only one member of the 7-man subcommittee (Stockman of Oregon) could be said to be a real westerner. Only two more even come from west of the Mississippi river, Norrell of Arkansas and Jensen of Iowa, neither one of whom was ever counted among the more enthusiastic admirers of Interior Department activity back in the days of Jed Johnson. For that matter, Chairman Jones always was a pretty handy fellow with an ax whenever his predecessor wanted some coöperation on budget trimming.

Over on the Senate side, Secretary Krug will have more western if not more sympathetic faces to look into, when he appears to talk about Interior's budget.

One familiar face he will recognize, perhaps without too much elation, will be that of freshman Senator Dworshak of Idaho. Last year Dworshak was serving in the lower house with Jed Johnson's subcommittee and his questions during hearings indicated that he knows a thing or two about budget trimming. It is an interesting fact, however, that eleven out of the twelve members of the Senate subcommittee come from states west of the Mississippi, and a half-dozen even hail from west of the Rockies.

### *The Farmer in the Mail*

FOLKS over at the Rural Electrification Administration are probably unnecessarily apprehensive about the coming congressional cut in their budget—but they certainly are apprehensive. The reason is Representative Clare Hoffman, chairman of the House Committee on Government Expenditures, who can sometimes talk like a man who might cut off a dog's tail right behind his ears. And the reason Chairman Hoffman talks this way is that he is mad—not at REA particularly, but at some of REA's overzealous friends.

It seems that ever since Chairman Taber of the House Appropriations Committee made a casual remark last December about cutting down REA's funds for new loans, a blizzard of letters has been coming in from the rural districts to the offices of various Representatives and Senators arguing, begging, and even threatening political reprisals if the REA budget is touched. Of course, most Congressmen who have been on the job awhile have grown used to organized letter-writing campaigns or "mail order lobbying," to use the slang phrase. But there are a number of sensitive freshmen Congressmen timidly dipping their toes into the Washington legislative current for the first time. Veterans such as Representative Hoffman feel that these freshmen have enough problems, without hazing in the form of phoney pressure.

What is more, this "save REA" letter-

## PUBLIC UTILITIES FORTNIGHTLY

writing campaign bears all the usual earmarks of an inspired performance—identical phrasing, inaccurate salutations, improper postmarks, and so forth. When a Congressman gets a letter purporting to be from a Nebraska farmer, for example, postmarked from Philadelphia, it challenges a doubt. One of the prize exhibits, however, was a letter of instructions sent out by the head of a midwestern coöperative to his members, telling them in considerable detail just how to write to their Congressmen and put on the heat to save good old REA. Picturesque phrases were suggested and so forth. But what happened?

One co-op member, who was either none too bright or in a hurry, was evidently under the impression that he was supposed to send the whole thing to his Congressman. That is exactly what he did, and signed his name to it.

**T**HE inspiration for this letter-writing campaign has never been any particular mystery. The National Rural Electric Coöperative Association undertook several weeks ago to stir up grass roots' support for continued appropriations for REA loans. NRECA always has openly professed to work closely with REA and to support necessary legislation to assist the rural electrification program. Its executive director, a frank and able ex-Congressman from Arkansas, always has been aboveboard about his activities on behalf of REA, and even registered under the lobbying act.

What evidently happened here, however, was that some of the regional friends of REA got a little too enthusiastic about the campaign. Anyhow, Hoffman is threatening to seek an amendment to the REA Act if the "organized propaganda" does not cease pretty soon.

It is doubtful, however, that even though the organized lobbying has backfired, Congress will really cripple the politically popular REA. It will have to take a hitch in its belt, just like all the other Federal agencies. But the chances are that it will get off a lot easier than

most of them—probably better than Reclamation or some of the other spending agencies. The fact that REA is a lending rather than spending agency has its special appeal.

Of course, it is not hoped, even by REA, that the Republican Congress will allow the full \$250,000,000 sought in President Truman's budget for fiscal 1948, since that would represent an increase of \$50,000,000 over the present year's allowance. But there are other Federal agencies willing to settle for 50 per cent of what President Truman asked for.

REA also has tried to put its administrative budget in order. Anticipating possible criticism on the size of its publicity staff, REA has reorganized its information service so as to put more stress on "educational" work for the co-op members. The idea of this would be to encourage farm electrification and instruct the farmers in getting the best use out of their service once connected. It is supposed that such "educational" work could hardly be classed as straight publicity or propaganda activity, which has aroused congressional ire against other agencies.

### *Frosting Job for the Seaway*

**T**HE St. Lawrence seaway-power proposal is undergoing a sugar-coating by none other than the president *pro tem* of the Senate. In an effort to "defrost" the icy pigeonhole which has locked up the long-proposed project, Senator Vandenberg of Michigan has urged that the navigation part of the proposed seaway plan be made "self-liquidating." This would "involve tolls on overseas traffic but not on other traffic," he told the U. S. Conference of Mayors at their recent assembly in Washington, D. C. It also might make the plan a little more palatable to economy-minded Senators.

Vandenberg, himself, is caught in a somewhat difficult position and the liquidation feature might be his best hope for extrication.

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# Exchange Calls And Gossip

## *Excise Taxes Stay Indefinitely, But Recheck Due Later*

THE knowledge that the quickest way to a voter's heart is through his pocketbook had much to do with the congressional decision to continue wartime excises on "luxuries," including telephone and telegraph service. House passage of the bill (HR 1030) continuing indefinitely the high levies on furs, jewelry, admissions, and other outlets for America's splurging urge, kept more than a billion dollars annually flowing into Treasury coffers and paved the way for reduction of income taxes. No better way to win the approbation of John Q. Public has yet been devised than seeing to it that he has more money in his pay envelope. While this bill was naturally bad news to telephone and telegraph interests, who had hoped to soften the impact of rate increases by the lower tax rates on July 1st, there is still a ray of hope that Congress will examine all excise taxes on communications. It was learned that prominent members of the House Ways and Means Committee are aware that the telephone and telegraph are not "luxuries." It's a good bet that, once the new tax bill is written (perhaps in May or June), Congress will look into the situation with the idea of granting some relief.

In the states, however, there seems to be a growing tendency to make wartime utility taxes a permanent part of the tax structure. Governor Dewey asked the New York state legislature to carry on its 2 per cent gross receipts tax in his annual message, while the city of Denver added on another one-half per cent to the same kind of tax. Half a dozen other states

are considering new utility levies that would include communications.

## *Western Union Down But Not Out*

WESTERN UNION on the ropes but still fighting back gamely, has now gone into the states for intrastate rate increases to match or surpass the 9 per cent boost granted recently by FCC. The company can well expect to see its representatives spend many a day this year in hearing rooms on Pennsylvania avenue, either at the Capitol or at FCC. First appearance was to be made February 10th at the latter's chambers, when the commission would start checking proposed standard procedure for closing telegraph offices. The Commercial Telegraphers Union (AFL) asked for this probe, and FCC invited everybody (state commissions, NARUC, customers, union, etc.) to get into the act.

But FCC's hopes of conducting a crystal-ball inquiry into Western Union's future, to determine what to do with the crippled telegraph industry, look doubtful, if the commission is depending on any special appropriation from Congress to do the job. A quick check of Senators on both sides of the aisle revealed that the upper house does not seem any more in favor of an FCC-controlled probe than do the leading members of the House of Representatives. That item of \$375,000 in FCC's budget for the telegraph investigation is likely to be sheared off by dexterous Congressmen on the green baize carving tables of the House Appropriations Committee.



## PUBLIC UTILITIES FORTNIGHTLY

Of course, this doesn't rule out the possibility that Congress itself will do some checking of its own into telegraph matters. But time and a crowded legislative schedule might work against a probe this year. Congressional leaders hope to finish up their session in midsummer, and so far the Interstate and Foreign Commerce committees of both houses have snailed along on organizational matters. As a matter of fact, the House Interstate and Foreign Commerce body is going to spend some time orienting itself to its job. There are ten new Republican members on the group this term, and Chairman Wolverton (Republican, New Jersey) wants to summon the head of each Federal agency under the committee's jurisdiction for a chat with the committee. In this way he figures the new men will get an understanding of the scope and duties of their group. That will take time, slowing the progress of any bills through the committee. Neither the House nor Senate Interstate Commerce group has appointed a communications subcommittee yet.

### *Hill Bill's Chances Nil*

**A**T this writing, there is but one bill in the congressional hopper that bears directly on communications (except for the variety of utility labor measures). This is the Hill Bill (S 43) to permit loans by the Rural Electrification Administration for setting up rural telephone service. A similar bill is expected in the House under the sponsorship of Representative Poage (Democrat, Texas). This measure is a hardy perennial which so far has been allowed to wither on the vine, never getting out of committee, and no more fruitful consequences should be anticipated this year. There has been a little more interest in the measure among REA's co-op members, however. At a recent meeting in Washington of the executive committee of the National Rural Electric Coöperative Association, a rural telephone committee was organized under the leadership of T. W. Henderson, of Aiken, South Carolina. The

town of Aiken is one of the seven original testing locations of the promising "carrier telephone service," which permits phone calls over power lines. A report on how these tests are making out is due to be made by this committee at NRECA's annual meeting in Spokane, April 22nd to 25th.

Speaking of carrier telephones, a new use for this electronic device was found last month by the Georgia Power Company. Encouraged by the success of the private use of its power lines to transmit telephone messages, the company offered its "high-line" facilities to the state department of forestry as a warning system in spotting forest fires. The state accepted and predicted that henceforth a forest fire could not remain undiscovered in the state. One wag commented that the supplementary telephone facilities would enable Georgians to keep informed on the whereabouts of all their governors.

### *Labor Tempests Brewing*

**T**ELEPHONE companies are paraphrasing the old saw these days to make it read, "Winter's here, can contract time be far behind?" By now most companies have been served with union demands to be written into their 1948 contracts, and are in preliminary negotiation. Most locals and divisions submitted the 10-point bargaining program of the National Federation of Telephone Workers after adding their own individual demands to the list. And here in Washington the NFTW held sessions of its top personnel to perfect its national bargaining plans, which may be climaxed by threat of a nation-wide telephone strike in April. Through late January, the conference rooms at union headquarters buzzed with plans as the bargaining committee, the executive board, and the policy committee conferred. At the same time, locals continued voting on membership in the new "one national union" to replace the sprawling NFTW. Union officials estimate that by the end of February more than half the present union strength (ap-

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## EXCHANGE CALLS AND GOSSIP

proximately 224,000) will have filed for membership in the unified Communications Workers of America. Incidentally, the guiding hand in this unusual union overhauling, NFTW President Joseph A. Beirne, was recognized for his organizational abilities by the United States Junior Chamber of Commerce. The dapper 35-year-old Beirne was named one of "the year's ten outstanding young men."

That issue of "one national union" has reared its head in the telegraph industry. The Commercial Telegraphers Union (AFL), representing roughly 50,000 workers in telegraphy throughout the country, has moved into New York and started a campaign to win members from the American Communications Association, a CIO affiliate. One CTU official stated that some 2,000 CIO members in New York had appealed to the AFL group to come in and try to arrange for a National Labor Relations Board election. He recalled that the CIO had taken the workers out during 1946 on a fruitless 5-week strike, and then he invited all New York telegraphers to join in forming "one national union in Western Union." To these charges, the CIO leaders pointed to two previous NLRB elections won handily by CIO. They branded the CTU a "company union," and called its statements "smears." One interesting angle is the resignation of Frank Bloom, chief trial examiner for the NLRB, who left to join the CTU staff and will fight the union's case before his old associates.

**W**INDING up the fortnight's labor happenings is the note that two bills increasing the national minimum wage have been introduced in the House of Representatives. One bill (HR 270) filed by Mrs. Norton (Democrat, New Jersey) would hike the minimum to 65 cents an hour, while the other (HR 274) would match this figure for the first year and add another 5 cents per year for the next two years. It was introduced by Representative O'Toole (Democrat, New York), champion of lower excise taxes, and it exempts telephone companies serving less than 500 stations. Both bills are likely to gather moss in committee.

## *Rate Increases Dot Phone Landscape*

**R**ATE increases of nearly \$3,000,000 annually have been granted to Bell companies by state utility commissions, and applications in 15 other states are in various stages of proceedings. A conservative estimate of how much in annual revenue these applications represent would run upwards of \$25,000,000. One new twist which will return more revenue to two telephone companies is the adjustment in California of directory advertising rates. To discourage large display advertising, which hurts the small advertiser and reduces the efficiency of the directory, the California commission granted Pacific Telephone & Telegraph Company and Southern California Telephone Company, an increase in rates for 1-column ads, and permitted a decrease in rates for half- and quarter-column ads. Circulation of the directories has been getting wider and wider, and the commission thought the added income of about \$722,000 yearly would "cover the additional directory expenses and continue to contribute in a reasonable measure to the over-all earnings."

Bell had a good year in 1946. Getting arithmetical for the moment, here are some figures of startling size: Net income of AT&T in 1946 amounted to \$191,903,000, or about \$9.41 a share, which is an increase of 75 cents a share over 1945. At the same time, Bell broke all its records for telephone installations, putting in 3,250,000 during the year. The company also hired 145,000 new employees and its payrolls are now at another all-time peak, around 620,000. There are now more calls being made than at any time in history, nearly 150,000,000 a day, and, to top it off, there are 2,000,000 people still waiting for phones.

If you're still with us, there are a couple more figures worth communicating while we are at it. One is that there are now close to 30,000,000 telephones in the United States, or approximately one for each five persons. Through international connections Americans can call 52,000,000 numbers.



# Financial News and Comment

By OWEN ELY

## Heavy Construction Program For 1947

PUBLIC utility financing in the past two decades has been as follows (in billions of dollars), as compiled by the *Commercial & Financial Chronicle*:

Year	New Capital	Refunding	Total
1946	\$8	\$1.3	\$2.1
1945	.1	2.3	2.4
1944	—	1.3	1.3
1943	—	.4	.4
1942	.2	.3	.5
1941	.4	1.0	1.4
1940	.3	1.0	1.3
1939	.1	1.2	1.3
1938	.3	.9	1.2
1937	.1	.7	.8
1936	.1	2.0	2.1
1935	.1	1.2	1.3
1934	—	.1	.1
1933	—	.1	.1
1932	.3	.2	.5
1931	.9	.6	1.5
1930	2.4	.2	2.6
1929	1.9	.5	2.4
1928	1.8	.8	2.6
1927	2.1	.9	3.0

New capital financing in 1946 was the largest since 1931, and 1947 may make an equal or better showing. New money issues are already making their appearance—the recent \$15,000,000 issue of New York State Electric & Gas Corporation preferred stock included \$3,000,000 new money, and the pending sale of 890,000 shares of Oklahoma Gas & Electric Company common stock includes about \$1,500,000 for construction. According to the *Electrical World's* estimate, the electric utilities alone plan to spend \$1,400,000,000 for construction in 1947—which does not include the huge Bell system program and other types of nonelectric construction.

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**H**ow will this new money be raised? Much of it, of course, will be charged to depreciation reserves since a great deal of equipment has been kept in operation beyond normal life by heavy wartime requirements and the present increased residential load. The utilities last year retained about one-third of common stock earnings instead of the customary 25 per cent, presumably to bolster their cash position and aid new financing. Moreover, it was planned last year to install nearly 1,500,000 kilowatts of new capacity (about half of that scheduled for 1947) but only 361,000 were actually installed because of the difficulty of obtaining the new equipment. Hence, the cash earmarked for these expenditures may also be available.

Construction costs are, of course, considerably higher this year than in 1946. Based on estimates furnished the *Electrical World* by electric utilities representing 85 per cent of the total industry, the price rise appears to be in the neighborhood of 30 per cent. Of the \$1,307,000,000 proposed expenditures, 35 per cent is for steam generation, 4 per cent for hydro, 16 per cent for transmission, 40 per cent for distribution, and 5 per cent for general plant.

## Heat Pump Has Load-building Possibilities

**A**TALK on the heat pump was recently given before the New York Society of Security Analysts by S. W. Andrews, rate engineer of American Gas & Electric Service Corporation. Mr. Andrews revealed the tremendous possibilities of the

## FINANCIAL NEWS AND COMMENT

heat pump as a future load-building factor. In brief, the pump can transfer into the home (from some source outdoors) from 2 to 7 times as much heat as would be obtainable by using the same amount of electricity in an ordinary resistance heater. Thus, while electricity in the home can produce perhaps only about 25 per cent of the heat energy used at the central station to produce that electricity, the heat pump permits multiplying this efficiency factor by 3 to 5 times (under average conditions). Thus, the amount of heat delivered by the heat pump may equal or exceed the amount obtained in burning the coal which produces the electric current. On this basis, the electric utilities could easily compete with coal, gas, and oil-burning furnaces in the house-heating field.

At the present time electric house heating is practicable (using resistance heaters) only in the South or isolated sections where hydroelectric power is unusually cheap, and rates of 1 cent per kilowatt hour or less are feasible for house heating. With the heat pump, electric utilities in all sections of the country could enter this field, possibly with rates as high as 2 cents per kilowatt hour.



### *North American Light & Power Company*

**N**ORTH AMERICAN COMPANY, in an effort to end the long issue over re-capitalization of North American Light & Power, has tentatively offered the preferred stockholders \$187 a share (par and arrears) and common stockholders \$7.50 a share. The preferred stockholders have now gained their objective (since the company is being dissolved they can hardly claim a redemption premium) but the common stockholders are expected to ask for a larger settlement. Commenting on this, *Barron's* recently stated:

No one knows yet what sweetening will be necessary to satisfy Light & Power common stockholders, but, if North American should be limited to the actual cost of its investment, the amount available for Light & Power common would be almost 4 times the \$7.50 a share which has been offered. . . . This is

about \$1.50 under the indicated asset value for the stock and also is less than was offered under the original plan of last April, and since discarded.

This statement of the case seems a little exaggerated. In the first place the \$9 estimate of break-up value for the common stock seems on the high side—other recent estimates have been in the neighborhood of \$5. Second, North American's carrying value of \$31,474,356 for its investment in North American Light & Power (the figure used in *Barron's*) does not take into account an \$8,000,000 write-down.

Third, *Barron's* does not mention the fact that North American Company made a substantial additional cash investment (taking common stock in return) during the 1930's in order to save the company from bankruptcy, which at that time would probably have wiped out the entire equity of the minority common stockholders. In doing this North American exceeded its "Deep Rock" obligations—it was under no compulsion to make the investment. Yet under the subordination theory, such as that mentioned above, North American Company would be asked to give up a substantial part of the profits on its original investment to benefit the minority common stockholders.

Fourth, the estimate of the plan of last April, under which Light & Power common stockholders would receive two-fifths of a share of a new holding company to control the Illinois and Missouri properties, was considered to be worth about \$18 a share instead of the \$20-\$22 mentioned by *Barron's*; the fractional share would be worth only \$7.20—less instead of more than the current offer.



### *Northern States Power—New Plans for Integration*

**W**HILE the Securities and Exchange Commission recently "cleared the decks" of plans for distribution of assets of Northern States Power Company of Delaware, a new series has now been started. The company recently filed a

## PUBLIC UTILITIES FORTNIGHTLY

plan which would increase the allocation of common stock in the Minnesota operating company to common stockholders of the Delaware Company from 9.56 per cent to 16.72 per cent. Now the preferred stockholders' committee has also filed a plan which would give the class A common stockholders only 5.35 per cent of the common stock. (Class B would not receive any participation.) The plan also provides that Delaware is to pay in cash the dividend arrears on its two preferred issues (\$10.06 on the 7 per cent and \$8.62 on the 6 per cent) out of funds to be received from the Minnesota subsidiary, representing a payment out of earned surplus.

Some of the plans formerly submitted to the SEC and/or the Federal court provided for the sale of sufficient stock of the Minnesota Company to pay off the claims of the preferred stockholders (excepting that the preferred would have the opportunity to exchange for Minnesota stock on an attractive basis, prior to public sale). These plans for an exchange or sale of the subsidiary stock now appear to have been abandoned, perhaps because of poor market conditions—unless they are revived by the class A stockholders, who have not recently been heard from.

**M**EANWHILE, Stone & Webster has prepared a special report for Lehman Bros. and others interested in the class A stock. This contains two sets of forecasts or assumptions regarding future earnings on the Minnesota Company's common stock—one prepared by it and the other by the management of Northern States:

Year	Stone & Webster	Management
1946	\$9,129,000	\$8,835,000
1947	8,011,000	7,190,000
1948	8,200,000	7,467,000
1949	8,731,000	7,767,000
1950	9,373,000	8,320,000
1951	10,225,000	8,820,000

It is understood that the management plan (second amended plan) is based on estimated earnings of \$7,200,000. Such an estimate would appear to be on the low side despite the rate cuts of about \$2,800,-

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000 per annum which went into effect April 1st and May 1st last year, together with the pension plan estimated to cost \$1,590,000 or more annually. It is thought that the protective committee for the class A stock will continue to press for more liberal terms.

### Consolidated Edison

**I**N an article, "Effect of Plant Write-offs on Utility Investors," which appeared in the January 16th issue of PUBLIC UTILITIES FORTNIGHTLY, reference was made on page 87 to certain proposed balance sheet adjustments of Consolidated Edison Company of New York. It was stated that the company,

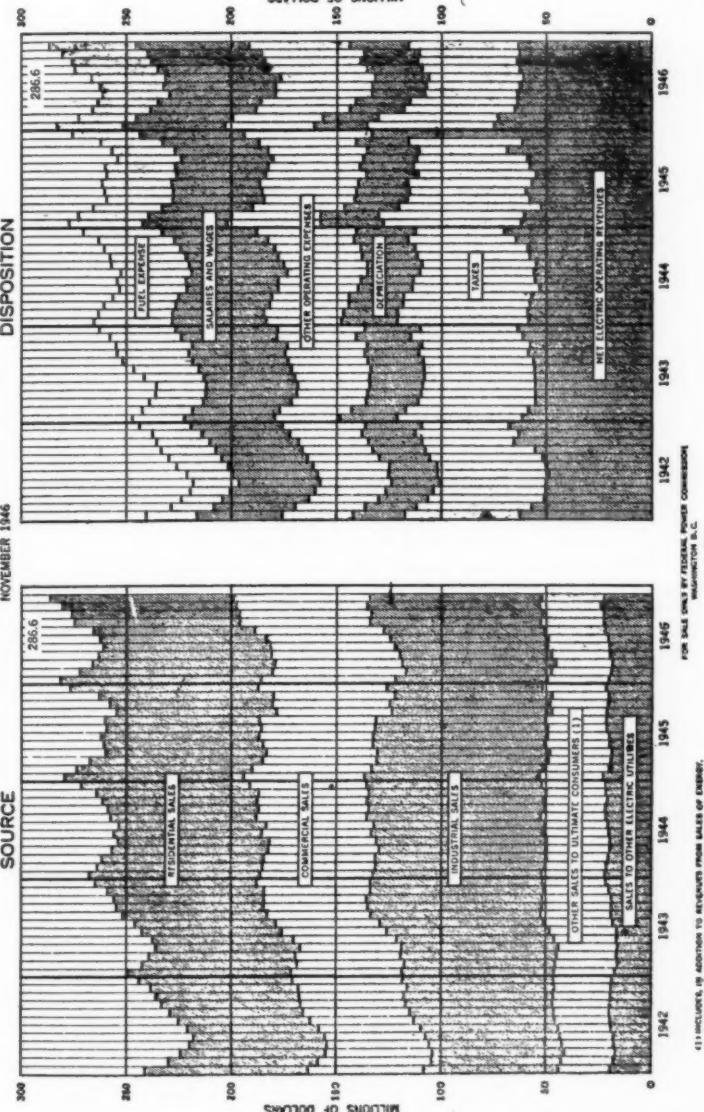
... in order to obtain clearance of its huge refunding program with the New York Public Service Commission, agreed to an adjustment of its accounts approximating \$238,800,000. . . . The total adjustment, if eventually consummated, will cut the book value of the common stock in about half.

Unfortunately, the description was somewhat abbreviated and did not make it clear that, while Consolidated had segregated a blanket reserve to cover the adjustments referred to, it had by no means accepted or concurred in the opinions and estimates of the witnesses for the commission, which were the basis for the various proposed adjustments aggregating \$238,800,000. This is particularly true with reference to the principal item involved, the tentative estimated shortage in the company's depreciation reserve, as arrived at through application of straight-line depreciation accruals on a retroactive basis. For years the question of depreciation accounting has remained somewhat of an issue between Consolidated Edison and the commission; but during 1935-36 the company was sustained by the New York courts, and the commission was held to be without power to impose its theories of depreciation accounting on the company. (New York Edison Co. et al. v. Maltbie et al. 15 PUR(NS) 143.) The commission has not yet been able to get a bill through the legislature to give it this power.

FINANCIAL NEWS AND COMMENT

CLASS A AND CLASS B PRIVATELY OWNED ELECTRIC UTILITIES IN THE UNITED STATES

SOURCE AND DISPOSITION OF ELECTRIC OPERATING REVENUES



Federal Power Commission



## What Others Think

### Side Lights on Edison

#### *Edison's Intellectual Humility*

“THOMAS EDISON once said: ‘We don’t know one-millionth of one per cent about anything! Why we don’t even know what water is, we don’t know what light is, we don’t know what gravitation is. We don’t know what enables us to keep on our feet, to stand up. We don’t know what electricity is, we don’t know what heat is, we don’t know anything about magnetism. We have many hypotheses but that is all.’ If there is so little we know in the natural order, so few things we really understand though we make use of them daily, then we must expect to find things in the supernatural order which we are unable to comprehend.”

—EXCERPT from “Religion,” by the Reverend James F. Cunningham, CSP.

#### *Edison's Modesty*

“IN 1913, a newspaper poll to determine the ‘Most Useful American’ turned up 87 per cent of the votes in favor of Thomas A. Edison, then at the height of his inventive career. Among the comments of the voters were these paeans of praise:

“An incomparable combination of extraordinary diligence and inventive ingenuity. A personal repudiation of the ‘good-old-times’ theory.”

“He has added more to the material elements of civilization by his own inventions and by what they have suggested to others, than any other one man in the history of the world.”

“And another: ‘Occupying probably first place among strictly utilitarian men.’

“Notified of his eminent place in the poll, he declined to write his reactions but notified one editor humbly, ‘The only thing that troubles me is the fear (in

which my wife shares) that if these things keep up I may get a swelled head.’”

—EXCERPT from “Edison, the Man and His Work,” by George S. Bryan (appendix).

#### *How Much Was Edison Worth?*

“A NEW YORK TIMES article once assessed the value of Edison’s brain in the business and industrial world at \$15,000,000,000. This represents the 1926 investment, in America alone, in industries based entirely on Edison’s inventions, or other industries materially stimulated by his inventions. These industries included electric lighting and power, electrical supplies and railways, telephones, moving pictures, phonographs, cement, and hundreds of other allied businesses. Edison’s own evaluation of his worth was his frequent remark to his associates, ‘Well, if worse comes to worst, I’ve got a good trade. I can always make \$75 a month as an expert telegraph operator, and I can live comfortably on that.’”

—EXCERPT from *The New York Times*, June 24, 1923.

#### *Edison on Capital Punishment*

“EDISON was a lifelong opponent of capital punishment. When New York state first adopted electrocution in 1889, the new law was sharply attacked as a ‘cruel and unusual’ form of punishment. Edison was called as a witness to support litigation preventing the first condemned man from being electrocuted, but he disappointed the antielectrocutionists, by pointing out that it might bring instant and painless death. Edison further stated that he thought it would be safe to ‘double up’ dynamos to increase the current for the execution. Cross-examined on this point, he was chal-

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## WHAT OTHERS THINK

lenged, 'That is your belief — not from knowledge?' Edison calmly replied, 'From belief. I never killed anybody.'"

—EXCERPT from "Edison, the Man and His Work," by George S. Bryan (appendix).

### Edison's Practicality

"ALTHOUGH Edison's inventions always had commercial practicality, he had to learn the value of himself and his creations from personal experience. One story, possibly apocryphal, has it that he was refused payment on the check for the first invention he sold, because he wasn't wise enough in the ways of finance to know he must endorse it. Later in life, he admitted that this commercial consideration was an acquired characteristic. He was once quoted, 'The point in which I am different from most inventors is that I have, besides the usual inventor's make-up, a bump of practicality as a sort of appendix, the sense of the business and the money value of an invention. Oh, no! I didn't have it naturally. It was pounded into me by some pretty hard knocks.'"

—EXCERPT from *The Outlook*, November 1, 1916.

### The Unsystematic Edison

"EDISON never had a liking for business routine. In Newark, when he was manufacturing stock tickers and keeping his own books, he would jab bills receivable on one hook, bills payable on another, and allowed all notes to go to protest. This system worked fine, he says, but in a weak moment he hired a bookkeeper. After three months on the job, the bookkeeper announced the company showed a \$3,000 profit. The office was elated, and a big dinner was given at the firm's expense. The next day, the bookkeeper announced he'd made a mistake, that the firm had actually lost \$500. The office was plunged into gloom. Again the next day, the bookkeeper came up with another figure, this time correct, showing a \$7,000 profit. With some misgivings, Edison retained the bookkeeper, but declared his 'hook' system had caused him fewer anxious moments."

—EXCERPT from "Edison, the Man and His Work," by George S. Bryan (page 300).

### Edison on Modern Education

"EDISON's amazing intellect was such that he could openly brand college graduates 'amazingly ignorant' and get away with it. To prove his point he made up lists of questions, tried them out on ambitious young men, and offered jobs in his workshop to successful candidates. The questions were really sticklers, often requiring specific answers to riddles that had kept critics and experts arguing for centuries. One man who tried the test protested that the more learned the answerer was, the harder his questions were to answer. Naturally, many wits tried to turn his arguments against him, and one reporter for *Collier's Weekly* talked him into replying to a series of 20 puzzlers. Saying 'I never give another man a dose of medicine I wouldn't take myself,' Edison sat down and quickly tossed off 20 terse answers that sent the reporter away satisfied but dazzled. Among his best answers: Q. Why have the American people lost confidence in their political leaders? A. I can't remember that they ever had very much. Q. What should be done about the underpaid white collar workers? A. Too many persons want brain work, and have no natural or acquired capacity for such work. They want easy jobs; hence the supply exceeds the demand for this type of work, with the usual results."

—EXCERPT from *Collier's*, July 14, 1923.

### Edison the Orator

"THOMAS A. EDISON detested making personal appearances and speeches before groups of any size, and he usually managed to send a substitute to them. On one occasion, however, he was persuaded to make his first radio address on May 19, 1926, at a convention of the National Electric Light Association in Atlantic City. Edison stood nervously before the microphone, to which invention he contributed richly, and finally blurted out this 22-word speech: 'Why, I don't know what to say. This is the first time I ever spoke into one of these things. Good night.'"

—EXCERPT from "Edison, the Man and His Work," by George S. Bryan (pages 286-7).

## Anatomy of Depreciation

**O**N a subject covered by such an overwhelming mass of conflicting literature as depreciation, it is a service to present and future generations to have someone pick the wheat out of the chaff and present it in a single short book. Few people live who have the background of knowledge and experience to do this authoritatively.

Mr. Nash is exceptionally qualified for this work by more than forty years of active participation in the fields of electric, gas, traction, and water utilities, to which depreciation accounting is especially important. He has been a member of the depreciation committees established by the electric power, traction, and gas industries.

Now, after retiring from active business, Mr. Nash has had leisure to digest the experience of a full life without prejudice or pressure and to summarize this important controversial subject of depreciation accounting as it now stands.

The major purpose of this book is to analyze scientifically the various currently used systems of depreciation accounting and to show each in its logical relation to accounting as a whole, which, in turn, should truly reflect the financial status of the industry. An historical chapter gives the reader an excellent background for the more detailed discussions in the following chapters.

**R**ETIREMENT, straight-line, sinking-fund, and reserve-size methods of caring for the inevitable costs occasioned by depreciation are all discussed with clarity and due regard to the ideas and claims of both proponents and opponents of the methods. Much factual information is presented and sources given. The important opinions of regulatory bodies and courts are quoted. The results and implications of the use of each method are ably and clearly presented. A chapter on treatment of reserves sets forth in clear perspective how reserves figure in rate determinations under various conditions.

FEB. 13, 1947

A final chapter summarizes the relative advantages and disadvantages of the principal available methods of handling depreciation.

The divergencies of fundamental concepts and the variations back and forth in opinions, which (the book indicates) have taken place over the life of the industry, offer an impressive illustration of the confusion which has arisen primarily from the illogical but common error of failing to recognize that "depreciation" and "amortization" are not synonymous terms, with the result that the inevitable and progressive diminution of property values, which cause eventual abandonments, are often regarded as a present lessening of the factual original costs recorded in the books of account.

While the origin of this confusion is clear from the text, the question as to the possible desirability of the substitution of an amortization process, with a corresponding return of his capital to the investor in place of a reimbursement for property losses occasioned by depreciation, is not discussed. Such a discussion is needed to clarify the problem since it is obvious that future public service could be financed on either basis when the difference is clearly understood even though past financing has been done on the assumption that the customer obligation was limited to the making of reimbursement for the cost of property consumed in his service and without contemplation of a return of capital.

**I**N his summary the author calls attention to a common but superficial criticism of the "reserve-size" method as being basically a variation of the earlier retirement accounting and therefore subject to the same weakness of affording opportunity for arbitrary treatment and abuse.

The comprehensive discussion of the method in Chapter VI affords the answer in showing that the lack of specific standards, which was the weakness of the former practice, is corrected by the intro-

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## WHAT OTHERS THINK



*Courtesy, The Dallas (Texas) Morning News*

**"I'LL TAKE YOUR WORD FOR IT, MR. SNODGRASS. DON'T TEAR MY PHONE BOOK IN TWO"**

duction of a working formula subject to rigid regulatory control while at the same time the objective of accomplishing reimbursement for the cost of all property no longer useful to the service of the public is fulfilled without the accumulation of unnecessarily large reserves such as are inherent in any method of amortizing the cost of individual plant items over assumed periods of useful life.

The warning sounded by Justice Jackson against the tendency to accord an un-

due reverence to accounting conventions, as quoted in Mr. Nash's conclusion, would seem pertinent as a caution against the dangers inherent in the oversimplification involved in all efforts to solve, by a single accounting convention, the two separate and distinct problems which seem to be involved; namely, effecting a reimbursement for all property loss as factually is brought to pass by reason of the incidence of depreciation, and according an equitable treatment to such collect-

## PUBLIC UTILITIES FORTNIGHTLY

tions as may be made for the purpose in advance of the time when property ceases to be used and useful in the furnishing of service.

Mr. Nash's book should be of value and interest to all students of depreciation or depreciation accounting and particularly to those having regulatory or managerial responsibility over public utility operations.

It is an important contribution toward a solution of the vexed problem in that it makes plain that the basic controversial question is not of formulas and methods but whether the ultimate objective sought

is to insure the integrity of the investment through reimbursement of factually incurred capital losses or to effect a reduction of the investment by a progressive amortization of initial capital expenditures.

Agreement as to the objective of necessity must precede agreement as to the means for its accomplishment.

—SAMUEL FERGUSON,  
Hartford, Connecticut.

**ANATOMY OF DEPRECIATION.** By Luther R. Nash. Public Utilities Reports, Inc., 1038 Munsey building, Washington 4, D. C. Price \$5. 205 pages. 1947.

## Increasing Sentiment against Public Ownership

WHILE countries like England and France have been turning to government ownership of basic industries, the trend of public sentiment in the United States has been in the opposite direction. Such is the result of the American Institute of Public Opinion poll released on January 28th by its director, Dr. George Gallup, in a dispatch from Princeton, New Jersey, to daily newspapers subscribing to that service. Dr. Gallup states:

Fewer Americans want to see the Federal government own railroads, banks, or electric power companies today than was the case a decade ago. Although slightly more would like to see the government own the coal mines than did in 1936, the number in favor still constitutes a minority.

England's Labor government has embarked on a sweeping program of nationalization of electric power, coal mines, transportation, and other key industries. By contrast the American workers, including those who belong to labor unions, vote by a substantial majority in favor of continued private ownership. In fact, the viewpoint of the working man in that respect is closer to that of employers and businessmen than in many issues.

The two groups, who so often war over other matters, agree in their allegiance to the basic principle of private ownership.

This is shown in the latest poll by the institute in which a true cross section of the country was asked:

Do you think the United States government should own the following things in this country—banks, railroads, coal mines, electric power companies?

SIMILAR polls were conducted by the American Institute in 1945 and also in 1936. The trend follows:

	<i>Banks</i>	<i>Yes</i>	<i>No</i>	<i>Undecided</i>
1936 .....	36%	56%	8%	
1945 .....	27	61	12	
Today .....	26	66	8	
	<i>Railroads</i>			
1936 .....	30	60	10	
1945 .....	19	64	17	
Today .....	26	67	7	
	<i>Coal Mines</i>			
1936 .....	27	64	9	
1945 .....	29	59	12	
Today .....	33	61	6	
	<i>Electric Power Companies</i>			
1936 .....	40	52	8	
1945 .....	29	50	21	
Today .....	28	64	8	

To show how similar the attitudes by various occupation groups and education levels are toward the matter of government ownership, the vote on the railroads in the latest poll is given below in detail. The figures on coal mines, electric power companies, and banks vary somewhat from those below, but not substantially. In every case, government ownership is opposed by substantial majorities throughout all occupation groups, educational levels, and political parties:

## WHAT OTHERS THINK

Government Ownership of Railroads			
By Occupation	Yes	No	Undecided
Bus. and prof. ....	21%	75%	4%
Farmers .....	18	71	11
White collar ....	27	68	5
Manual workers ..	30	61	9
Labor union members .....	32	62	6
By Education			
College .....	23	74	3
High school .....	23	72	5
Grade or no school .....	28	62	10
By Party			
Republicans .....	16	77	7
Democrats .....	32	61	7

It is interesting to note that the relatively large "undecided" bloc in 1945 has swung into the opposition column—indicating that the recent publicity emphasis on the merit of the private enter-

prise system is showing some definite results.

Another interesting feature of the Gallup poll was the breakdown of public ownership sentiment according to occupational groups and political affiliation. The highest percentage of public ownership sentiment by an occupational group was among "labor union members"—32 per cent, which by coincidence happens to be the same percentage of sentiment indicated for the Democratic party. The lowest public ownership sentiment, by occupation, was among the farmers—18 per cent. Republican party affiliates polled only 16 per cent in favor of public ownership—exactly half as much as the Democrats.

—F. X. W.

## *The New Yorker* Visits Edison's Laboratory

**A**N amusing account of *The New Yorker* magazine's visit to the Edison laboratories in West Orange, New Jersey, was contained in the "Talk of the Town" department of its February 1st issue.

The article describes the appearance of the laboratories—four small one-story brick buildings and one large red brick building which contains the library. All buildings are maintained by Thomas Edison, Inc., under the genial supervision of Norman R. Speiden, who acts as a "curator" and whose knowledge of Edisonian memorabilia, commanded *The New Yorker's* obvious respect.

The magazine reporter noted 10,000 volumes in Edison's library, dealing chiefly with physics, chemistry, electricity, mining, and botany. But the absence of mathematical volumes was remarked with the comment that "Edison was notoriously weak in this subject." Also noted in the tour were photographs of Edison, Ford, Firestone, Steinmetz, Lord Kelvin, and the late Samuel Insull, who was once Edison's secretary.

Mementos of Edison's triumph include the white marble statue commem-

orating Edison's visit to the Paris Exposition of 1889. It is called "The Genius of Light" and "represents a cherub sitting on an uncomfortable assortment of early electrical instruments." A Lorado Taft statue showing Orpheus discarding his lyre in favor of the phonograph was remarked. In the library too is a framed motto composed by Sir Joshua Reynolds, which Edison tacked up in every building on the grounds, which reads: "There is no expedient to which a man will not resort to avoid the real labor of thinking."

**T**HE *New Yorker* article goes on to recount minutiae and details of its informal visit to the West Orange laboratory.

It was amused to note that the original portable, open-roof moving picture set, known as the "Black Maria," was built in 1892 at a cost of \$637.67, but that when Metro-Goldwyn-Mayer constructed a replica of it in 1940 the bill came to \$2,000. *The New Yorker* wondered whether the extra cost was "because of an effort to make the reproduction look three times as real as the original."

## PUBLIC UTILITIES FORTNIGHTLY

### Notes on Recent Publications

*Is TVA Hurting the Fertilizer Industry?* At congressional hearings last year a bill to authorize TVA to build additional fertilizer plants was considered. The authority produces fertilizer at the old nitrate plant at Muscle Shoals which it distributes to farmers. This National Fertilizer Policy Bill was opposed by fertilizer manufacturers as being drafted for the purpose of setting the government up in the business in direct competition with private industry. **TVA AND FERTILIZER BLOC.** By James Rorty. *New Leader*. December 21, 1946.

*A Debate on the St. Lawrence.* This proposed power and seaway development will add greatly to electricity supply, is the view of Lt. Col. J. L. Dansereau, Canadian engineer, and will afford ocean shipping to densely peopled inland industrial sections—big benefits even at high cost. On the contrary, avers Chester C. Thompson, president of the American Waterways Operators, Inc., the navigation phase is a side issue hitched on to a project being promoted primarily for power. The ample capacity of present waterways was demonstrated during the war—waste of money to build more at such vast cost. **BUILD THE GREAT LAKES-ST. LAWRENCE SEAWAY?** By Lt. Col. J. L. Dansereau and Chester C. Thompson. *Rotarian*. January, 1947.

*British Nationalization Faces Acid Test.* Government planning for each citizen at every turn in his daily life seems to act as a deterrent to personal endeavor. A war-weary people, still subjected to shortages of necessities, lack enthusiasm for the ever-brooding new schemes. Labor party's extensive experiments must produce or it will be "out." **BRITAIN UNDER PLANNING.** By John Chamberlain. *Yale Review*. Winter, 1947.

*Radical Economist Finds Good Record for Industry.* It didn't take much midnight oil in the lamp of this modern Diogenes to find out that the labor record of Standard Oil of New Jersey has been good. Stuart Chase, economist, has made a survey of that company's labor relations for the years since 1916. While referring to "paternalism" as something to be criticized, he commended Standard especially on these points: employees regarded as human beings; teamwork featured; company's 4-part policy of responsibility to employees, customers, stockholders, and general public; and job security. This survey was reported in an article by Stuart Chase in Standard's magazine *Lamp. OPEN HOUSE. Tide*. December 27, 1946.

*Proprietary Ownership Publisher Discriminates in Advertising.* The publisher of the *Omaha World-Herald*, Henry Doorly, wanted the

private electric utility "out" and public power "in." So his paper, in editorials and news items, fought the Nebraska Power Company for years. When the electric utility wanted to present its case to the people in paid advertisements in his paper, Doorly refused on the basis that such publicity was "dishonest and not the facts." Backed by such discriminatory tactics, Omaha Public Power District has recently taken over Nebraska Power properties. **OMAHA DAILY WINS LONG FIGHT FOR PUBLIC POWER.** By George A. Brandenburg. *Editor & Publisher*. December 14, 1946.

*Are You Better Off Today?* A nation-wide survey discloses that American people generally believe their opportunities now are greater than were their fathers. Most Americans like their jobs, it appears, although many of the nation's youth—some 40 per cent of them—are anxious for a secure job despite low income. Of those in business for themselves, 92 per cent prefer being their own boss. That government should assume responsibilities for care of needy people is the view of many. **THE FORTUNE SURVEY.** Conducted by Elmo Roper. *Fortune*. January, 1947.

*Farm Phones via Radio.* Out in Colorado a new radiotelephone system for isolated rural sections is under test. In six other states the use of a special gadget permits telephone conversations to be sent over power lines. Such developments may prove an aid in overcoming the high postwar cost of the customary pole and line installations. **NEW FRONTIERS FOR FARM PHONES.** By Forbes Parkhill. *Country Gentleman*. January, 1947.

*Trouble Shooter on the Bell Circuits.* What windstorms and blizzards, heavy rains and lightning, mean to a line repairman of Bell Telephone system. Colorful recital of adventures in mending the damage done by the vagaries of weather. At times, amusing situations add to the zest of the job. **OUT LOOKING FOR TROUBLE.** By Harry Skinner, as told to Clarissa Lorenz. *Liberty*. December 28, 1946.

*Industry's Bid for Better Public Relations in 1947.* A program to cost \$3,000,000 to promote public relations in the current year has been set up by the National Association of Manufacturers. Last year 60 per cent of its budget went for newspaper advertising. In addition, it distributed 1,600,000 pamphlets and other publications, and its staff speakers gave 1,000 talks to various groups. **NAM'S STRONG PR DRIVE TO CONTINUE IN 1947.** *Editor & Publisher*. December 21, 1946.

# The March of Events



## In General

### TVA May Market Army Dam Electricity

JULIUS A. KRUG, Secretary of the Interior, recently said "we are working on plans whereby the TVA would take over the marketing of power" generated by Army dams in the Cumberland section.

The plan, he added, would include marketing of power eventually to be produced by Wolf Creek dam being constructed on the Cumberland river near Jamestown, Kentucky. Work on the dam was suspended during the war.

Krug conferred with Tennessee Valley Authority officials at Chattanooga last month about power distribution. In an interview, the Interior Secretary said:

We don't know what we will do about distribution of power from the Alatona and Clark Hill dams under construction in Georgia. There is no immediate chance of the TVA taking over the distribution because there are no transmission lines connecting the TVA with those dams.

Perhaps in the long run an authority will be organized in Georgia to operate the dams and market the power.

Secretary Krug said he did not know when the duties of marketing power from the Cumberland dams would be taken over by the TVA. He declined further comment on his discussions with Chattanooga TVA officials.

Proposals that the U. S. Bureau of Reclamation assume complete operation of the power plant at Hoover dam were also discussed last month at a meeting of representatives of the bureau and of nine water and power allotment holders in the offices of the Metropolitan Water District, Los Angeles, California.

The meeting was called by Secretary Krug to discuss plans to integrate all

power sources on the Colorado to promote fuller development.

E. A. Moritz, regional director of the Reclamation Bureau's third district, acting as chairman, read a letter from Secretary Krug in which the latter declared that "full development of all sources of power on the Colorado river is in the interest of both the United States and the power contractors."

Krug's letter also proposed the operation of the Hoover dam power plant by the Reclamation Bureau and the establishment of definite rates of allottees. At present the power plant is operated under contract by the Metropolitan Water District and the Southern California Edison Company as agents for the bureau.

Ideas discussed at the meeting will be worked out in concrete form and presented at a meeting to be called several months hence, Moritz said.

The nine allottees are the Los Angeles Department of Water and Power, the Metropolitan Water District, Glendale, Pasadena, Burbank, the state of Arizona, the state of Nevada, the Southern California Edison Company, and the California Electric Power Company.

### Power Emergency Declared

THE Federal Power Commission has determined that a power emergency exists in the Pacific Northwest area, which includes Washington, Oregon, Idaho, Utah, and western Montana, and on the application of Puget Sound Power & Light Company of Seattle, Washington, has granted the company permission to use certain wartime interconnections without affecting its jurisdictional status.

The commission's order said the load

## PUBLIC UTILITIES FORTNIGHTLY

in the Pacific Northwest is now greater than that reached during the peak of war production and far above that forecast. Total reserves in the region as a whole are barely adequate and individual companies are facing the necessity of encroaching seriously on their individual reserves.

One of the factors aggravating the power shortage created by the rapid growth of load has been return of two 75,000-kilowatt turbine generators ordered for the Shasta project in northern California and installed temporarily during wartime in the Grand Coulee powerhouse. These units have been removed from Grand Coulee for installation in the Shasta powerhouse, thus reducing by 150,000 kilowatts Grand Coulee's capacity.

### REA Reports Big Farm Electric Service Demand

**U**NPRECEDENTED demand of American farmers for electric service was the outstanding feature of the Rural Electrification Administration program during the fiscal year 1946, according to the agency's annual report, issued last month by the U. S. Department of Agriculture.

In a letter of transmittal to Secretary of Agriculture Clinton P. Anderson, REA Administrator Claude R. Wickard said:

A decade ago, when the Federal rural electrification program began to gather momentum, its opponents questioned whether the American farmer wanted electricity and, if he wanted it, whether he could afford it.

Today these questions have been answered.

The American farmer not only wants electricity; he demands it. He not only can afford it; he cannot afford to be without it. It is essential to the national welfare that he have it.

Administrator Wickard pointed out that, although REA allocated twice as much money for loans in fiscal year 1946 as in any previous single year, the backlog of applications for loan funds could be only slightly reduced by the end of the fiscal year. The agency allocated a total of \$200,000,000 to previously organized borrowers and new borrowers in 45 states

and Alaska, but, Mr. Wickard reported, "new applications flooded in so fast that the backlog of applications which stood at \$240,000,000 at the beginning of the fiscal year, amounted to \$208,000,000 at its close."

Another major development cited by the report was the increased use of power during the year by consumers already connected by REA borrowers. In some sections of the country, the increase in power use was so great that existing facilities became inadequate, and additional or redesigned plant equipment was made necessary. New-found uses for electricity on the farm, generally increased availability of appliances and equipment, and general modernization of farm life all contributed to the rise in use of electricity, the report stated.

Another development reported in the REA program during the year was the emergence of a "definite pattern" of area coverage electrification.

### FPC Considers Reallocation Of Natural Gas

**T**HE Federal Power Commission's industry advisory committee on allocation of natural gas from the Big and Little Inch pipe lines on January 24th was requested by the FPC to meet in Washington on January 31st, to consider further the allocation of natural gas presently reaching Midwest and Appalachian areas through the government-owned pipe lines.

The commission stated that the meeting was necessary to consider representations of the East Ohio Gas Company concerning the serious shortage of natural gas in the area in which it serves.

The plan under which the Big Inch supplies are now being allocated was developed by the commission in collaboration with the industry advisory committee in mid-December, 1946. Latest reports indicated in excess of 125,000,000 cubic feet of natural gas daily were flowing through the Big Inch lines which are being operated by the Tennessee Gas & Transmission Company under a lease terminating April 30, 1947.

## THE MARCH OF EVENTS

The FPC had previously announced that it was planning to take steps which would relax substantially the commission's controls over improvements and extensions of facilities by natural gas companies.

Recommendations for simplification of certificate procedures relative to improvements and enlargements of facilities for serving existing customers of natural gas companies and minor new customers have been made by the staff of the commission's natural gas investigation in Dock-

et No. G-580. Hearings in this general investigation of matters pertaining to the administration of the Natural Gas Act were concluded several months ago.

In circulating copies of the staff report on January 20th to parties interested in the natural gas investigation, which include representatives of natural gas companies, other industries, state agencies, and other Federal agencies, the FPC requested that they submit by February 15th their reactions to the proposal contained in the report.

## California

### Union Plans State Drive

A STATEWIDE battle was reported recently to be shaping up between the CIO Utility Workers Union of America and all utility companies in California employing members of the union.

This was made known in an interview with James L. Daugherty, UWUA regional director with jurisdiction over the 11 western states. Daugherty was in San Francisco to report to the annual joint council convention of the union's northern California district. The district covers all CIO workers employed by the Pacific Gas and Electric Company.

He declared the union will raise a \$50,000 fund for a statewide campaign "to take our story directly to the people."

The campaign will be directed, Daugherty said, against what he called "take what we offer or else" tactics of the utility companies.

### Reelected to Commission Post

MARSHALL DILL was reelected president of the San Francisco public utilities commission for a fourth term at a meeting of the commission last month.

Lloyd S. Ackerman was named vice president.

## Florida

### FPC Suspends Rate Schedule

THE Federal Power Commission on January 16th made public an order suspending a rate schedule filed by the Florida Power Corporation covering wholesale sales of electric energy to the city of Quincy, and setting a hearing regarding the lawfulness of the proposed rates and charges for March 3rd, in Washington, D. C.

The suspended rate schedule was filed by Florida Power on December 13, 1946, to supersede the existing agreement. The suspended schedule differed from the present agreement in that (1) the tax ad-

justment clause provided for an adjustment in the rate on the basis of taxes in excess of those in effect on January 1, 1946; (2) 700,000-kilowatt monthly consumption is required for application of the one cent per kilowatt-hour ceiling, thereby resulting in an increase in charges based on the past twelve months' usage; (3) this ceiling would be eliminated altogether if the United States becomes engaged in hostilities; and (4) the minimum consumption for which payment shall be made is raised from 300,000 kilowatt hours to 350,000 monthly.

Protest to the suspended rate schedule was filed by the city.

## PUBLIC UTILITIES FORTNIGHTLY

### Kansas

#### Asks Share in Gas Revenues

THE city will negotiate with the Gas Service Company for a new franchise, charging the company on the basis of its domestic gross business in Topeka, which was \$1,309,110 last year, Mayor Warren reported last month.

After a conference with Fred Karr, local manager of the Gas Service Company, the mayor said the next step was to work out a rate based on the company's gross to submit to B. C. Adams, Gas Service Company president, in Kansas City.

Mr. Karr reported the company's domestic gross for 1946 was \$1,309,110, while its gross business under the industrial rate was \$248,216, the mayor said.

"I don't think the city will attempt to exact a percentage of the industrial gross for the company's right to do business here," Mayor Warren said, "because I

believe the industrial rate is figured pretty close by the company."

First announcement of the city's decision to attempt to renegotiate a new franchise with the gas utility came last December. The mayor then said commissioners had decided to renegotiate the 20-year franchise which still has sixteen years to run.

Under the terms of the present franchise, the company furnishes the city government with 10,000,000 cubic feet of natural gas annually without charge and charges 50 per cent of the industrial rate for all gas used over that amount.

The present franchise was negotiated by Mayor Warren in 1942. Previously, the city's allowance for free gas was 5,000,000 cubic feet.

"We are interested in a new franchise because the city is badly in need of added revenue and this appears one way to get it," the mayor said.

### Kentucky

#### FPC Approves Adjustments

THE Federal Power Commission recently announced approval of proposals of Kentucky Utilities Company, Lexington, to make accounting adjustments disposing of \$4,881,426. This amount represents the excess of acquisition cost over original cost of property acquired and has been classified as plant acquisition adjustments. Disposition will be made through amortization by equal monthly charges to Account 537, Miscellaneous Amortization, over a period limited to 180 months beginning January 1, 1947.

The FPC order allowed the company

until January 31st to submit a study as to amount of profits on construction fees paid to L. E. Myers Company, an affiliated service company.

Kentucky Utilities filed reclassification and original cost studies on December 21, 1940, and in 1943 filed supplemental studies. The commission's staff in co-operation with the staff of the state public service commission conducted a field examination of the studies in November, 1943, and as a result the company accepted substantially all of the accounting adjustments proposed by the staffs of the two commissions. No agreement was reached, however, with respect to the disposition of plant acquisition adjustments.

### Nebraska

#### District Buys Light Firm

PUBLIC utility district officials recently announced purchase by the Omaha

Public Power District of the Nebraska Power Company through sale of \$42,000,000 in bonds to Halsey, Stuart &

## THE MARCH OF EVENTS

Company, and John Nuveen & Company, of New York and Chicago.

The net interest cost was reported at 1.98 per cent on the bonds, which will

mature in 1977. The transaction completed sale of 16 separate private power companies in Nebraska to public ownership.

## New Hampshire

### Electric Rates Reduced

**P**UBLIC SERVICE COMPANY OF NEW HAMPSHIRE has announced an electric rate reduction of \$303,000 annually effective February 1st.

Avery R. Schiller, president, has stated that despite rising costs the company has benefited from excellent business conditions which have prevailed throughout the territory during the past year. Water conditions at hydroelectric dams have been excellent and other economies have stemmed from the widening scope of the system's operations.

The rate cut is part of the company's program to share benefits of its recent gains among customers, employees, and stockholders.

The reductions will bring the average cost of electricity to residential customers to 4.02 cents per kilowatt hour, or somewhat less than half the 8.78-cent per kilowatt-hour average which prevailed in 1929.

Residential customers will have their rates reduced \$218,000 a year by the new schedules and commercial users will save \$85,000 annually.

## New Jersey

### Gas Rates Boosted

**T**HE state public utilities commission recently authorized the Elizabethtown Consolidated Gas Company to increase gas rates for large volume users, effective February 1st, to produce an estimated \$69,191 of additional revenues a year. About 12 per cent of the company's customers will be affected.

Rates will go up for residential users who consume more than 5,000 cubic feet a month, the building heating and cooling service rate will go from 6 to 7 cents a hundred cubic feet, and the wholesale gas service rate will be increased for those who use more than 500,000 cubic feet a month.

For residential users, the current \$1 minimum, including the first 400 cubic feet, will be retained, and the rate of 10 cents on each hundred cubic feet for the next 4,600 cubic feet will be unchanged. The rate for the next 5,000 cubic feet will be increased from 6.5 cents to 7.5 cents a hundred cubic feet, and for every-

thing in excess of 10,000 cubic feet, the users will be charged 6.5 cents a hundred instead of 5.5 cents.

### Orders Gas Plants Returned

**N**EGOTIATIONS for settlement of labor disputes at five gas works of the Public Service Electric & Gas Company were in final phases last month and Governor Walter E. Edge issued orders releasing the plants from state supervision.

The state's utility strike law had been invoked in the last six months when strikes threatened interruption of gas service to consumers in metropolitan areas of the state.

The governor's order removing control by State Labor Commissioner Harry C. Harper affected plants at Paterson, taken over June 17th; Jersey City and Piscataway Township (New Brunswick area), December 24th; and Newark and Harrison, December 28th.

Representatives of labor organizations

## PUBLIC UTILITIES FORTNIGHTLY

at the plants, Governor Edge said, had given assurances that no further walkouts would occur while the final settlements of working agreements were being reached.

### Wage-fixing Powers Opposed

THE state board of public utility commissioners was recently reported to be resisting a proposal under discussion for some time that it be given the power

to fix wages of utility company employees, citing the situation involving the New Jersey Bell Telephone Company as a reason why it should not be given the added responsibility, which would be "inconsistent with its service to the public."

Board members feel that, if they took over that authority, there would be continued appeals before them of the workers for higher wages and the company for higher rates.

## Virginia

### Closed Shop Pacts Outlawed

THE state general assembly adjourned on January 18th after a 2-week special session in which it enacted laws giving Governor William M. Tuck a perfect score in his 4-point legislative program.

The assembly adopted measures at the governor's request, to make closed shop contracts unlawful and to prevent sudden strikes in public utilities.

Governor Tuck admitted that the closed shop bill may be unconstitutional, as it applies to industries in interstate commerce. Administration spokesmen defended it primarily as a statement of public policy guaranteeing every person "the right to work without joining a union."

Under the bill the state is empowered to seize the utility and operate it temporarily

while retaining 15 per cent of the company's net revenues.

### Union Files Strike Notice

AFTER day-long negotiations on January 22nd, which failed to bring about agreement between the Lynchburg Gas Company and CIO's Local 336, utility workers, on terms of a new contract, union members voted to file a routine strike notice under the Smith-Connally Act, according to Lloyd P. Vaughan, area director, CIO organizing committee.

The notice filed did not necessarily constitute an intention to strike, Mr. Vaughan said, but was merely routine compliance with preliminary routine notice provision of the act, which governs until its expiration date of June 30th, or until Governor Tuck signs legislation barring strikes in public utilities.

## Washington

### More Power to Be Asked

NEW Federal generating capacity of 1,565,000 kilowatts will be required by November 1, 1953, to furnish adequate electric power for industrial, agricultural, and utility development in the Northwest, Washington and Oregon hydroelectric executives agreed at a meeting in Tacoma last month.

Convening to explore possibility of expanding Northwest power facilities, the delegates recommended that Federal funds be made available to the Bonne-

ville Power Administration on an annual and continuing basis adequate to provide for delivery of power to load centers.

Tacoma Utilities Commissioner C. A. Erdahl, spokesman for the group, said all recommendations followed consideration by public and private utility executives of (1) power requirements by year through 1953, and (2) requirements for construction of additional backbone transmission circuits needed to bring power supplies from Federal projects to the region's load centers.

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# The Latest Utility Rulings

## Accounting Requirements on Merger Of Gas Companies

**A**MERGER of Kansas City Gas Company and the Wyandotte County Gas Company into the Gas Service Company was approved by the Missouri commission. Gas Service, as the surviving company, was authorized to issue \$8,500,000 aggregate \$10 par value of common stock and \$16,000,000 principal amount of its notes to evidence the loan of \$16,000,000 by an insurance company and four banks.

The Securities and Exchange Commission had found that the properties of these companies formed an "integrated public utility system" as defined in § 2(a)(29)(B) of the Holding Company Act. The state commission believed that the properties should be operated as a unit by a single integrated entity. This should promote greater efficiency and economical operation.

A proposal to charge thirty days' interest overlap, incurred in connection with the redemption of bonds, to Unamortized Debt Expense was disapproved. Such handling would be in accordance with the theory that additional interest was incurred by reason of the refinancing. The commission believed, however, that this amount was an interest charge for the current period and should be charged to Account 431, Interest on Long-term Debt.

Likewise, the surviving company proposed to debit a provision for Federal income taxes and to credit Unamortized Debt Discount with the amount of estimated Federal income tax reduction re-

sulting from bond redemption. This would be in conformity with the theory used in recording the duplicate interest. The net result would be that the surviving company's tax bill for the current year would be less by that amount. The commission believed that the tax saving should be credited to Account 404, Taxes, instead of Unamortized Debt Expense, so that the accounts would clearly reflect the operating result for the current period.

Cities Service Company, the parent of these corporations, would receive additional capital stock which would be created by a charge against capital surplus. While this, in effect, represented a stock dividend to Cities Service Company, the commission saw no objection as that company would own all outstanding capital stock of the surviving company, and as such would, in theory, own the capital surplus. The commission's interest in the transaction was said to be primarily to determine if such conversion seriously impaired the remaining surplus of the surviving company. It did not believe this to be the case.

Proceedings were pending before the commission relating to property appraisals, audits of books, and rates. There was also a matter of passing on to consumers impounded funds which had been accumulated in a Federal Power Commission rate case wherein wholesale gas rates had been ordered reduced.

The commission, however, found no objection to approval of the merger because of this situation. The proceedings,

## PUBLIC UTILITIES FORTNIGHTLY

it was said, would be carried to a prompt conclusion regardless of whether or not the companies were merged. All liabilities attached because of pending cases would

be carried into any merged company and consumers would receive the full benefit. *Re Gas Service Co. (Case No. 10-969).*



### Intrastate Toll Rates Should Be Uniform

**T**HE North Carolina commission has ruled that uniformity in intrastate toll rates should be maintained. Toll rates of independent telephone companies should be the same as rates authorized for the Southern Bell Telephone & Telegraph Company in its order of November 23, 1946 [66 PUR(NS) 101].

In view of the abnormal, unsettled financial and labor conditions, however, the commission thought that new rates should be on a temporary basis and that the rate order should continue open for fourteen months from December 31, 1946.

During past years the Southern Bell Telephone Company from time to time reduced toll charges. Independent telephone companies followed suit. When the Bell Company recently obtained a 5-cent basic charge per message increase in toll charges between certain mileage brackets, a similar increase was requested by the independent companies. This led to the recent commission action.

Many independent companies con-

nected with the Bell System have reciprocal arrangements whereby the Bell Company collects toll in one direction and the independent companies in the other direction. If toll charges were not the same, rates would be different in different directions between the same points. Furthermore, many messages are routed partly over the lines of the Bell Company and partly over lines of independent companies. If rates were different, there would be confusion and inaccuracies in determining and prorating total toll charge.

An enormous increase in operating expenses resulting from skyrocketing material costs and increases in cost of labor were important factors. The culmination of these increases, it was contended, had not yet been reached. Increases in operating expenses, it was urged, far exceeded the small amount of revenue which independent companies would receive by a 5-cent basic charge per message increase in toll rates. *Re Intrastate Telephone Toll Rates (Docket No. 3838).*



### Fuel Adjustment

**T**HE New Haven Gas Light Company obtained permission from the Connecticut commission to include in its rate schedules a fuel adjustment clause applicable to sales of gas above 5,000 cubic feet per month. It already had in effect a schedule, applying to one customer only, which included a coal adjustment clause. This was to be withdrawn and the rate was to be subject to the new fuel adjustment clause, based on fluctuations in cost of gas purchased, and generator fuel, and gas oil.

The commission quoted from its decision in *Re Connecticut Light & P. Co.*

### Clause Approved

(1942) 44 PUR(NS) 65, where it was said that, as a general principle, the fuel adjustment clause points the way toward the solution of one of the most acute problems in utility rate making; namely, that of integrating rates (which are generally of a rigid nature) into a flexible national economy. Anything that can be done to bring rates more nearly into harmony with the general economic system, it was said, is to that extent a public gain. Fuel adjustment clauses also bring about a reduction in customer payments during a period of falling prices in depression eras.

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## THE LATEST UTILITY RULINGS

The commission noted the marked increases in the price of bituminous coal as a result of higher wages in the coal fields and higher freight rates. The fuel adjustment clause was not designed to increase net revenue but essentially to permit the company to recoup increases in the cost of fuel arising out of the post-war period and, at the same time, to give customers the benefit of any decrease in the cost of fuel that might occur in any subsequent downward trend of price levels.

The company had proposed, for purchased gas, to use \$5.90 per gross ton as the base price of coal. This price had been taken from its contract with the Connecticut Coke Company. It did not represent the average cost of coal to that company during either of the 5-year periods; namely, 1937-1941 and 1942-1946.

For that portion of gas manufactured by the New Haven Company the utility proposed to arrive at the excess cost of fuel by taking the average cost of coke and oil for the 5-year period 1937-1941,

inclusive; namely, \$8.07 per ton for coke and 4.1 cents per gallon for oil.

The commission, however, believed that the fair base price for coal to be used for purchased gas should be the 5-year average cost of coal just prior to price decontrol, 1942-1946, inclusive. This would be \$6.45 per gross ton. The price, said the commission, should not be \$5.90 per gross ton used in the contract.

Only 54.3 per cent of the total estimated sales of gas for 1947 would be affected by the fuel clause, as it would not be applicable to small sales. The company, in computing the fuel adjustment charge, would use as a divisor the total quantity of gas sold. Therefore, it was not placing a heavier charge on the larger consumers. Hence, the fuel adjustment clause would not recoup the full impact of the increase in fuel costs. It would not create discrimination against the larger consumers by virtue of exempting the average residential customer. *Re New Haven Gas Light Co. (Docket No. 7855).*



## Utilities Must Observe Territorial Boundary

THE Arizona commission terminated a dispute between electric utilities, which threatened to result in "cut-throat" competition, by establishing a boundary between their service areas. The utilities had agreed to the line many years earlier and respected it religiously until a commission decision in a matter considered in 1944 was construed as opening the door for competition. There the agreement, as such, was not recognized, but duplication was disapproved.

The commission made no attempt to force the utilities to abandon construction and equipment in one another's territory and intimated that constitutional rights might be violated by such action. However, the commission's right to enforce the territorial agreement as to future utility expansion was asserted in this forceful paragraph:

But on the plainest principles of utility regulation sanctioned by long practice and

general acceptance and in obvious advancement not only of the public welfare but of the very public service corporations themselves, the commission unquestionably has the power to do what is necessary to prevent harm to both the public and to the utilities. The commission cannot be blind to what any ordinary men can see; that is, the line of demarcation between two utility systems which have been operating for years, approaching but not crossing that line into each other's areas. Any doubt expressed about the commission's power to recognize and perpetuate that line and preserve the separation of the two systems is fully dispelled by the obvious fact that the result arises not so much from the powers of the commission as from the election of the utilities themselves. By their own deliberate and voluntary choice and long-continued conduct, each of them has waived and abandoned any right which it may have had originally to enter the territory so long deemed and admitted to belong to the other. Meanwhile, the public interest and welfare intervened and accommodated itself to the status so established.

*Re Arizona Edison Co., Inc. (Docket No.*

## PUBLIC UTILITIES FORTNIGHTLY

9850-E-1010, *Decision No. 16938*). For earlier decisions bearing on this contro-

versy, see (1944) 55 PUR (NS) 247 and (1945) 61 PUR (NS) 5.



### Stock Purchase and Loan Approved

**T**HE District of Columbia commission approved the acquisition of the stocks of Braddock Light & Power Company, Inc., by the Potomac Electric Power Company. The purchase price represented system cost of the stock. This was a necessary part of a plan for the ultimate liquidation of Washington Railway & Electric Company and Washington & Rockville Railway Company.

The commission also approved a loan by Potomac to Braddock for the purpose of temporarily financing construction of

a generating plant which would be used primarily to meet Potomac's future requirements for additional generating capacity. *Re Washington Railway & Electric Co. et al. (Order No. 3130, PUC No. 3267/1, Formal Case No. 362)*.

Following approval by the District commission, the Securities and Exchange Commission authorized the same transaction. *Re Washington Railway & Electric Co. et al. (File No. 70-1403, Release No. 7116)*.



### Right to Further Hearing

**O**N an application for approval of the purchase of stock the Pennsylvania commission granted a petition for a further hearing, for submission of new evidence, and for staying the filing of briefs until after stenographic notes should be available. It was said that a party should be allowed reasonable latitude in the submission of proof.

It did not appear that the interest of the protestant or the public interest would be adversely affected by delay. In fact, it was said, the protestant, by denying the truth of material averments in the petition, had raised an issue of fact which could be resolved only by hearing. *Re Philadelphia Suburban Transportation Co. (Application Docket No. 62726)*.



### Other Important Rulings

**T**HE Iowa commission authorized motor carrier service over a route running to the state line where the Interstate Commerce Commission had granted authority to operate interstate over the line and the state of South Dakota had granted authority to operate intrastate in that state. The commission said that, while the other authorizations were not controlling, they were pertinent to the matter. *Re Two Siouxs Bus Line (Docket No. H-3635)*.

Higher telephone rates were author-

ized where the return would be approximately 6 per cent on the rate base, the Wisconsin commission terming that return reasonable. *Re Rib Lake Telephone Co. (2-U-2218)*.

A return of 18.5 per cent on the rate base of a telephone company was termed unreasonable, and a return of 6.2 per cent was considered reasonable, by the Wisconsin Public Service Commission in authorizing higher telephone rates. *Re Western Telephone Co. (2-U-2250)*.

**NOTE.**—The cases above referred to, where decided by courts or regulatory commissions, will be published in full or abstracted in *Public Utilities Reports*.

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PREPRINTS  
OF CASES TO APPEAR IN  
*Public Utilities  
Reports*

COMPRISING THE MORE IMPORTANT DECISIONS, ORDERS, AND  
RECOMMENDATIONS OF COURTS AND COMMISSIONS



VOLUME 66 PUR(NS)

NUMBER 4

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FEDERAL COMMUNICATIONS COM. v. WOKO, INC.

UNITED STATES SUPREME COURT

## Federal Communications Commission

v.

## WOKO, Incorporated

— US —, 91 L ed —, 67 S Ct 213  
December 9, 1946

**C**ERTIORARI to review order of Court of Appeals of District of Columbia reversing a Federal Communications Commission order denying renewal of a radio license; reversed. For lower court decision see (1946) 80 US App DC 333, 63 PUR (NS) 431, 153 F2d 623.

*Appeal and review, § 62 — Denial of radio license — Materiality of facts concealed.*

1. Failure of the Federal Communications Commission to find that concealment practiced by a radio station in annual reports was of material facts, that the concealment had influenced Commission action, or that it would have acted differently were it not for the concealment, is beside the point in a judicial review of a Commission order denying renewal of the license of a radio station which had systematically concealed the ownership of stock, since the fact of concealment may be more significant than the facts concealed, p. 99.

*Radio, § 4 — License renewal — Misrepresentation as to stock ownership.*

2. It is not unlawful, arbitrary, or capricious for the Federal Communications Commission to refuse a radio station license renewal where information concerning stock ownership is withheld and false information substituted, assuming that it is proper for the Commission to require such information before granting a renewal, p. 99.

*Radio, § 4 — Station license renewal — False reports — Responsibility.*

3. The fact that more than one half of the stockholders of a radio station in no way participated in the falsification of station reports to the Federal Communications Commission may be a proper consideration for the Commission in determining just and appropriate action on a renewal application but as a matter of law cannot immunize the corporation from the consequences of its deception, p. 100.

*Appeal and review, § 53 — Renewal of radio license — Misrepresentation of ownership — Precedent.*

4. The fact that radio stations have frequently withheld from the Federal Communications Commission the names of their stockholders without drastic Commission action cannot be relied on as a basis for appeal from Commission refusal to renew the license of a station practicing similar conceal-

## UNITED STATES SUPREME COURT

ment, since the Commission is not bound to deal with all cases at all times as it has dealt with some that seem comparable, p. 100.

### *Radio, § 2 — Commission jurisdiction — Renewal of license — Denial for cause.*

5. It is for the Federal Communications Commission to determine whether its action in denying a station license to a radio corporation for misrepresentation of ownership of stock is too drastic, and the fact that its action in prior comparable cases had been mild and no change of policy had been announced is merely an additional consideration, p. 100.

### *Radio, § 4 — Renewal of license — Denial for misrepresentation — Not a penal measure.*

6. Denial of an application for a radio license or a renewal because of the insufficiency or deliberate falsity of information lawfully required to be furnished is not a penal measure, p. 100.

### *Radio, § 4 — Renewal of license — False statement — Denial of application.*

7. The Federal Communications Commission is not required as a matter of law to grant a license on a deliberately false application, nor is a refusal to renew a license arbitrary or capricious where reports have been falsified, p. 101.

### *Radio, § 2 — Federal Communications Commission jurisdiction — Renewal of license — Public interest — Quality of service.*

8. The Federal Communications Commission and not the courts must be satisfied that the public interest will be served by renewing the station license of a radio corporation which has practiced deception in its reports to the Commission but has rendered service of high quality to the public, p. 101.

### *Appeal and review, § 29 — Commission decision — Scope of review — Administrative discretion.*

9. The fact that a court would not make the same determination as the Communications Commission on the same facts does not warrant a substitution of judicial for administrative discretion where Congress has confided the matter involved to the latter, p. 101.

**APPEARANCES:** Harry M. Plotkin, of Washington, D. C., for petitioner; William J. Dempsey, of Washington, D. C., for respondent.

The opinion of the court, delivered by Mr. Justice JACKSON, follows in full:

WOKO, Incorporated, for some years has operated a radio station at Albany, New York, and appears to have rendered public service of acceptable quality and to be able to continue. The Federal Communications Commission refused to renew its license because of misrepresentations made to the Commission and its predecessor as

to the ownership of the applicant's capital stock. Two hundred and forty shares, being 24 per cent of its outstanding capital stock, was owned by one Pickard and his family. For some twelve years they received all dividends paid on the stock and Pickard took an active interest in the company's affairs. He also was a vice president of the Columbia Broadcasting Company and had obtained the stock on the assurance that he would help to secure Columbia affiliation for Station WOKO, would furnish, without charge, Columbia engineers to

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## FEDERAL COMMUNICATIONS COM. v. WOKO, INC.

construct the station at Albany, and supply a grand piano and certain newspaper publicity.

The company, however, in reporting to the Federal Radio Commission and to the Federal Communications Commission the names of its stockholders as it was required to do for many years and in many applications, concealed the fact that the Pickards held this stock interest and represented that the shares were held by others. Its general manager appeared on behalf of the applicant at various hearings and furnished false testimony to both Commissions regarding the identity of the corporation stockholders and the shares held by each so as to conceal the Pickard holdings. The purpose of the concealment was to prevent the facts from becoming known to Pickard's Columbia colleagues.

The court of appeals for the District of Columbia (1946) 80 US App DC 333, 63 PUR(NS) 431, 444, 153 F2d 623, reversed the Commission's decision denying renewal of the license, a majority for the various reasons that we will consider. The dissenting Chief Justice noted that he did "very heartily agree with the view that this is a hard case. The Commission's drastic order, terminating the life of the station, punishes the innocent equally with the guilty, and in its results is contrary to the Commission's action in several other comparable cases. But that the making of the order was within the discretion of the Commission, I think is reasonably clear." We granted certiorari because of the importance of the issue to the administration of the act.

We come to a consideration of the reasons which led the court of appeals

to reverse the order of the Commission under the admonition that "review by the court shall be limited to questions of law and that findings of fact by the Commission, if supported by substantial evidence, shall be conclusive unless it shall clearly appear that the findings of the Commission are arbitrary or capricious." (June 19, 1934) 48 Stat 1064, 1094, Chap 652, 47 USCA § 402 (e).

The act provides as to applications such as WOKO filed that "All such applications shall set forth such facts as the Commission by regulation may prescribe as to the citizenship, character, and financial, technical, and other qualifications of the applicant to operate the station; the ownership and location of the proposed station . . . and such other information as it may require." It requires such statements to be under oath or affirmation. 48 Stat 1084, Chap 652, 47 USCA § 308 (b). It provides, too, that any station license may be revoked for false statements in the application. 48 Stat 1086, 47 USCA § 312 (a).

[1, 2] It is said that in this case the Commission failed to find that the concealment was of material facts or had influenced the Commission in making any decision, or that it would have acted differently had it known that the Pickards were the beneficial owners of the stock. We think this is beside the point. The fact of concealment may be more significant than the facts concealed. The willingness to deceive a regulatory body may be disclosed by immaterial and useless deceptions as well as by material and persuasive ones. We do not think it is an answer to say that the deception was unnecessary and served no purpose.

## UNITED STATES SUPREME COURT

If the applicant had forthrightly refused to supply the information on the ground that it was not material, we should expect the Commission would have rejected the application and would have been sustained in so doing. If we would hold it not unlawful, arbitrary, or capricious to require the information before granting a renewal, it seems difficult to say that it is unlawful, arbitrary, or capricious to refuse a renewal where true information is withheld and false information is substituted.

[3] We are told that stockholders owning slightly more than 50 per cent of the stock are not found to have had any part in or knowledge of the concealment or deception of the Commission. This may be a very proper consideration for the Commission in determining just and appropriate action. But as matter of law, the fact that there are innocent stockholders cannot immunize the corporation from the consequences of such deception. If officers of the corporation by such mismanagement waste its assets, presumably the state law affords adequate remedies against the wrongdoers. But in this as in other matters, stockholders entrust their interests to their chosen officers and often suffer for their dereliction. Consequences of such acts cannot be escaped by a corporation merely because not all of its stockholders participated.

[4, 5] Respondent complains that the present case constitutes a departure from the course which the Commission has taken in dealing with misstatements and applications in other cases. Much is made in argument of the fact that deceptions of this character have not been uncommon and it is

claimed that they have not been dealt with so severely as in this case. Cf. *Re Navarro Broadcasting Asso.* (1940) 8 FCC 198. But the very fact that temporizing and compromising with deception seemed not to discourage it, may have led the Commission to the drastic measures here taken to preserve the integrity of its own system of reports. The mild measures to others and the apparently unannounced change of policy are considerations appropriate for the Commission in determining whether its action in this case is too drastic, but we cannot say that the Commission is bound by anything that appears before us to deal with all cases at all times as it has dealt with some that seem comparable.

[6] It also is contended that this order inflicts a penalty, that the motive is punishment and that since the Commission is given no powers to penalize persons, its order must fall. We think it unnecessary to indulge in the exposition of what a penalty is. It is enough to decide this case to know what a penalty is not. A denial of an application for a license because of the insufficiency or deliberate falsity of the information lawfully required to be furnished is not a penal measure. It may hurt and it may cause loss, but it is not made illegal, arbitrary or capricious by that fact.

Lastly, and more importantly, the court of appeals suggested that in order to justify refusal to renew, the Commission should have made findings with respect to the quality of the station's service in the past and its equipment for good service in the future. Evidence of the station's adequate service was introduced at the

## FEDERAL COMMUNICATIONS COM. v. WOKO, INC.

hearing. The Commission on the other hand insists that in administering the act it must rely upon the reports of licensees. It points out that this concealment was not caused by slight inadvertence nor was it an isolated instance, but that the station carried on the course of deception for approximately twelve years. It says that in deciding whether the proposed operations would serve public interest, convenience, or necessity, consideration must be given to the character, background, and training of all parties having an interest in the proposed license, and that it cannot be required to exercise the discretion vested in it to entrust the responsibilities of a licensee to an applicant guilty of a systematic course of deception.

[7-9] We cannot say that the Commission is required as a matter of law to grant a license on a deliberately false application even if the falsity were not of this duration and character, nor can we say that refusal to renew the license is arbitrary and capri-

cious under such circumstances. It may very well be that this station has established such a standard of public service that the Commission would be justified in considering that its deception was not a matter that affected its qualifications to serve the public. But it is the Commission, not the courts, which must be satisfied that the public interest will be served by renewing the license. And the fact that we might not have made the same determination on the same facts does not warrant a substitution of judicial for administrative discretion since Congress has confided the problem to the latter. We agree that this is a hard case, but we cannot agree that it should be allowed to make bad law.

The judgment of the court of appeals is reversed and the case remanded to that court with directions to remand to the Commission.

Mr. Justice Black took no part in the consideration or decision of this case.

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## NORTH CAROLINA UTILITIES COMMISSION

### Re Southern Bell Telephone & Telegraph Company

Docket No. 3763  
November 23, 1946

**A**PPPLICATION of telephone company for authority to increase rates; modified increase allowed.

*Return, § 111 — Telephone company — Reasonableness.*

1. A telephone company's return of 3.9 per cent on its investment, giving it a return of 6.5 per cent on capital stock, was considered fair, p. 105.

## NORTH CAROLINA UTILITIES COMMISSION

### *Telephones, § 9 — Jurisdiction of Commission — Division of toll charges.*

2. Division of interstate toll charges between a telephone company and its parent company is not within the jurisdiction of the state Commission; and, if the local company is entitled to a greater share of this revenue, it should apply to the Federal Communications Commission, p. 105.

### *Rates, § 539 — Limited telephone service — Revenue measure.*

3. Limited service rates should not be adopted as a means of increasing revenue in an area where people have been accustomed to unlimited telephone service, p. 106.

### *Intercorporate relations, § 19 — Refinancing of loan from parent company — Interest rate on company bonds as basis.*

Statement that a telephone company in need of additional revenue should refinance its loan from its parent company to reduce the interest to that rate at which the company's good standing has enabled it to sell bonds, p. 105.

**APPEARANCES:** For the applicant: John T. Goree, General Attorney, Atlanta, Georgia, Fred. J. Turner, Atlanta, Georgia, E. H. Wasson, Charlotte, North Carolina; for the protestant: Howard S. Guttmann, Principal Trial Attorney, Washington, D. C., and Edward M. Hairfield, Jr., District Price Attorney, Raleigh, North Carolina, for John R. Steelman, Director, Office of War Mobilization and Reconversion, and Paul A. Porter, Administrator, Office of Price Administration; observers: Frederick R. Corson, Charlottesville, Virginia, and P. M. Schuchart, Charlottesville, Virginia, for Central Telephone Company.

**By the COMMISSION:** This cause came before the Commission on the application of Southern Bell Telephone and Telegraph Company filed on September 17, 1946, and was heard on October 23, 1946.

The applicant petitions the Commission for authority to increase its business rates at sixty-two exchanges in the state and to increase its intra-

state toll charges 5 cents per block in station-to-station charges from 19 miles to 263 miles; 5 cents per block on person-to-person charges from initial block to 263 miles.

The verified petition offered in evidence set forth the following:

"Petitioner is now providing in North Carolina more telephone service than ever before in its history. Since the beginning of the war, during the period December 31, 1941, to August 31, 1946, the number of company-owned telephone stations in North Carolina has increased from 133,543 to 185,150, representing an increase of 39 per cent; toll messages have increased from a monthly average of 724,667 in 1941 to a monthly average of 1,244,382 for the months of April through July, 1946, representing an increase of 72 per cent.

"Total revenues from petitioner's combined business in North Carolina have increased from \$8,282,355 for the year 1941 to \$14,559,957 for the months of April through July, 1946, raised to an annual basis, representing an increase of 76 per cent. Total

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## RE SOUTHERN BELL TELEPH. & TELEG. CO.

expenses incurred in rendering said service during this period have increased from \$6,728,982 for the year 1941 to \$13,586,379 for the months of April through July, 1946, raised to an annual basis, representing an increase in expenses of 102 per cent. Petitioner shows that, although during the last five years it has increased its investment by approximately \$9,000,000, net earnings have dropped from \$1,553,373 for the year 1941 to \$973,578 for the months of April through July, 1946, raised to an annual basis. For this latter period earnings on petitioner's investment devoted to operations in North Carolina were at the annual rate of 2.70. This rate of earnings is the lowest realized on petitioner's business in North Carolina in any year since the first World War.

"As of December 31, 1945, petitioner's total investment in its North Carolina properties amounted to \$34,385,404.

"Petitioner's total gross pay roll for North Carolina operations for the months of April through July, 1941, amounted to \$1,049,313 as compared with \$3,111,437 through the same period in 1946, representing an increase of 196 per cent. A large portion of this increase in the payroll results from increases in wage rates made in conformity with national policies and trends during this period.

	1945
Average investment .....	\$33,761,046
Gross revenues .....	12,872,737
Total expenses .....	11,544,524
Net earnings .....	1,328,213
Per cent return on average investment (Annual basis)..	3.93

"The continuation of petitioner's present grossly inadequate schedules of rates and charges would not permit

The full effect of the recent wage rate increases is reflected in the expense accounts beginning with April, 1946.

"On January 1, 1946, petitioner had 20,512 applications for service on hand which had not been filled; during the eight months' period, January through August, 1946, it made 36,295 new installations of exchange service in North Carolina; and on August 31, 1946, the applications for service which had not been filled numbered 23,266. In addition to those who have applied for service there is a large, as yet unexpressed, demand from those who now require service, or will require it in the future.

"Petitioner further shows that to carry out its program of expanding its facilities for maintaining and expanding its service in North Carolina will require that large sums of new money be invested in its business in the state, and petitioner's ability to obtain this money at reasonable costs for said purposes is dependent upon earnings being sufficient to maintain an adequate credit position.

"Petitioner's average investment, revenues, expenses, earnings, and rate of return on average investment for its combined operations in the state of North Carolina for the year 1945, and for the first quarter, second quarter, and for July and August, 1946, on an annual basis, are as follows:

	1st Quarter 1946	2nd Quarter 1946	July and Aug. 1946
\$34,793,793	\$35,813,360	\$37,238,076	
3,435,257	3,640,762	2,470,296	
3,123,913	3,365,536	2,346,966	
311,344	275,226	123,330	
3.58	3.07	1.99	

it to maintain and expand an adequate telephone service for the people in this state, and would, therefore, be con-

## NORTH CAROLINA UTILITIES COMMISSION

trary to the public interest as well as to the rights of petitioner. For this reason there is an emergency need for such immediate relief as can be obtained only through the speedy upward adjustment of petitioner's rates and charges for telephone service in this state. In these circumstances petitioner proposes the schedule of rates and charges as set forth in Exhibit D hereto attached for the Commission's consideration, to afford partial, but prompt, relief to petitioner."

The uncontested testimony adduced by the applicant's witnesses tended to show that an emergency exists in the applicant's financial status which requires an immediate increase in revenue in order to protect the financial integrity of the company whereby the company will be able to meet its obligations, give reasonable service, and proceed with the largest expansion program in its history.

Other testimony of the applicant, supported by charts, tables, and financial statements, shows:

That the company provides both local and long distance service at its 62 exchanges in North Carolina;

That the present investment in North Carolina is \$37,000,000 and that its employees number 4,400;

That the number of telephones in North Carolina has increased from 133,500 at the end of 1941 to 187,000 at the end of September, 1946;

That in 1941 the number of long-distance messages was 8,700,000 and that from January, 1946, to September 30, 1946, the number was 14,800,000;

That the operating revenue in 1941 was \$8,282,000 and that for the period

April through August, 1946, ran at an annual rate of \$14,667,000;

That expenses in 1941 amounted to \$6,729,000 while from April through August, 1946, these expenses had reached an annual basis of \$13,719,000; and

That there has been a steady decline in net income from \$1,553,000 in 1941 to \$948,000 in 1946 based on April through August, 1946, operations.

The increase in investment and the decline in net revenue is illustrated by the statement above shown in the application.

The increased cost in labor was given as the major reason for decline in net income. Wages were said to be 65 per cent of the operating cost.

In respect to wage increases, the testimony cited the following:

"The wage increase to employees under the decision of the War Labor Board, rendered in October, 1945, made retroactive to March 18, 1945, caused a wage increase to the company, as a whole, in the amount of \$11,300,000 on an annual basis, and to North Carolina, \$993,000. Further increases were negotiated in the first quarter of this year. These increases were put into effect between January 27th and February 1st. These three wage increases—one in October last year and those in January, February, and March, this year—have increased the annual wage cost in North Carolina by a minimum of \$2,311,000."

The testimony also brought out the fact that all types of equipment and material had greatly increased in price since 1941, ranging from 15 to 110 per cent, which are reflected in higher operating costs.

Witnesses for the applicant estimat-

## RE SOUTHERN BELL TELEPH. & TELEG. CO.

ed that the business rates proposed and the increased toll charges proposed would give a gross increase in the revenue of the company amounting to \$1,026,000, and a net increase of \$585,000, due to Federal income taxes and the state's 6 per cent gross tax amounting to \$441,000. This tax is exclusive of the excise tax paid by the subscriber and shown on his monthly bill.

The protestant offered no testimony but confined its participation to cross-examination of applicant's witnesses.

The cross-examination brought out breakdown figures in certain items of expense but changed no basic results. It developed that the applicant was entitled to a Federal tax refund for 1946 amounting to \$2,080,300 for the entire company and that the North Carolina allocation would amount to approximately \$197,000. However, it was shown that the company would not be entitled to any refund of this character on its 1947 operations, thus eliminating this as a factor in the matter under consideration.

From the testimony adduced by the applicant and from an analysis of the financial reports on file with this Commission it is patent to the Commission that a rate increase is necessary and should be granted. However, the Commission is definitely of the opinion that the company is not entitled to the full amount requested.

[1] In order to effect a reduction in the amount proposed by the applicant the Commission canvassed the rates at each exchange of the company; and after careful consideration of the rates at each individual exchange fixed rates which the Commission deems fair and reasonable. These rates, the

Commission estimated, will give the company a gross increase of \$525,000, a net increase of approximately \$300,000. This, together with the net increase on the proposed toll rates, which the Commission considers reasonable, of approximately \$228,000, will give the company a total net increase of approximately \$528,000. This plus the estimated income of the company on the basis of July and August, 1946, operations (\$437,133) will give the company a return of 6.5 per cent based on capital stock, and, based on fixed capital less depreciation (\$25,000,000), a return of 3.9 per cent which in the opinion of the Commission is a fair return on its investment.

[2] In analyzing the financial statement of the applicant, which was offered at the hearing, we find that there are two sources of revenue which could be available to the applicant if a fair and equitable adjustment were made between the parent company, American Telephone & Telegraph Co., and the applicant. The first source that we have in mind is the 4 per cent interest rate which the applicant is now paying to the parent company on \$22,000,000 borrowed from the parent company. Considering the fact that the evidence also reveals that the good standing of the applicant has enabled it to sell bonds at 2 $\frac{1}{4}$  per cent interest, this Commission does not understand why the \$22,000,000 loan should not be refinanced for the same interest rate as the bonds. Such would effect an annual savings of \$275,000, and the Commission thinks this should be done as soon as possible. Even if the applicant should borrow money on short-term notes the interest rate should not exceed 3 per cent. The

## NORTH CAROLINA UTILITIES COMMISSION

other source of possible income which this Commission has noted is a fairer division between the parent company and the applicant, in favor of the applicant, on all toll charges. This, however, is a matter over which this Commission has no control as it is purely within the jurisdiction of the Federal Communications Commission. Once before this Commission has intervened in the telephone rate case before the Federal Communications Commission and asked for a fairer division of toll charges between the parent company and the applicant and some revision was made, but in the opinion of this Commission not enough. The applicant should insist immediately upon a fairer division.

[3] The Commission is not favorably impressed by the proposal of the applicant to put into effect certain limited service rates as set out in the application for the reason that it believes that the people of North Carolina have always been accustomed to unlimited service and any limitation of the use of telephones would be most unsatisfactory.

In view of the abnormal, unsettled financial and labor conditions heightened by growing inflation, which not only prevail in North Carolina but throughout the nation, the Commission is of the opinion that the rates fixed by this order should be provided on a temporary basis and that the order of the Commission should continue open for fourteen months from December 31, 1946, with the right of the Commission reserved to make adjustments in said rates at any time during this period as in its opinion conditions should justify.

The Commission is of the opinion

that the motion of the OPA to dismiss the petition should be and it is hereby denied.

In view of the foregoing, therefore,

It is *ordered* that the Southern Bell Telephone and Telegraph Company is hereby authorized to put into effect, effective on billings on and after December 1, 1946, the following business rates at its 62 exchanges as specified below in lieu of present business rates: [List of exchanges and rates omitted].

It is *further ordered* that the Southern Bell Telephone and Telegraph Company is hereby authorized to put into effect, effective on billings on and after December 1, 1946, the following charges shown in the company's General Exchange Tariff, in lieu of present charges:

PBX trunk lines, each, per month:

Business flat rate:

Both-way,  $\frac{1}{2}$  Bus. Ind. Line Flat Rate.  
Inward,  $\frac{1}{2}$  Bus. Ind. Line Flat Rate

Business message rate, both-way, only, in exchanges having a message rate schedule:

First, Bus. Ind. Line Msg. Rate  
Additional, without message allowance, each,  $\frac{1}{2}$  Bus. Ind. Line Msg. Rate

Messages in excess of allowance on first trunk line, Bus. Ind. Line Excess Msg. Rate

Business message rate in connection with hotel and apartment house service, in exchanges not having a message rate schedule:

First, both-way trunk including an allowance of 100 local messages \$4.70  
Additional without message allowance, each .....

2.35

Messages in excess of allowance on first trunk line, each .....

.03

Auxiliary line service, inward service only. The following monthly charges apply:

Schedule 1	Schedule 2	Schedule 3
\$4.50	\$3.75	\$3.25

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## RE SOUTHERN BELL TELEPH. & TELEG. CO.

Semipublic telephone service.

Guarantee required from local message revenue:

(a) Exchange where the monthly individual line business message rate is:

Daily Guarantee  
of Revenue from  
Local Messages

(1) \$4.50 for a minimum of 100 messages .....	15¢
(2) \$5.15 for a minimum of 100 messages .....	17½¢
(3) \$5.40 for a minimum of 100 messages, or \$6 or \$6.25 for a minimum of 85 messages .....	20¢

Station to Station  
Paid Collect  
Day, Night & Sun.

Mileage	Initial	Overtime	Computed on "Paid" Basis	Amt. to Be Added to Chrgs.	3		3		3	
					Mins.	First	Mins.	First	Mins.	First
0- 12	.10-5m	.05-3m	.10	.25	.05	.05	.25	.05	.05	.05
13- 18	.15-5m	.05-2m	.10	.30	.10	.05	.30	.10	.05	.05
19- 24	.25-5m	.05-2m	.05	.35	.10	.05	.35	.10	.05	.05
25- 30	.30-5m	.10-1m	.00	.40	.10	.10	.40	.10	.10	.10

### Paid and Collect

Day (Exc. Sun.) Night & Sun.

	3	Add'l								
	Mins.	Min.								
31- 36	.35	.10	.35	.10	.45	.15	.10	.45	.15	.10
37- 42	.40	.10	.40	.10	.55	.15	.10	.55	.15	.10
43- 48	.45	.15	.40	.10	.60	.20	.15	.55	.15	.10
49- 64	.50	.15	.40	.10	.70	.20	.15	.60	.20	.10
65- 88	.60	.20	.40	.10	.80	.25	.20	.60	.20	.10
89-112	.65	.20	.40	.10	.85	.25	.20	.65	.20	.10
113-132	.70	.20	.45	.15	.95	.30	.20	.75	.25	.15
133-148	.75	.25	.50	.15	1.00	.30	.25	.80	.25	.15
149-172	.80	.25	.50	.15	1.05	.35	.25	.80	.25	.15
173-202	.85	.25	.60	.20	1.15	.35	.25	.90	.30	.20
203-232	.90	.30	.60	.20	1.20	.40	.30	.90	.30	.20
233-262	.95	.30	.65	.20	1.25	.40	.30	.95	.30	.20
263-292	1.00	.30	.70	.20	1.30	.40	.30	1.00	.30	.20
293-314	1.05	.35	.70	.20	1.40	.45	.35	1.05	.35	.20
315-340	1.10	.35	.75	.25	1.45	.45	.35	1.10	.35	.25
341-370	1.15	.35	.80	.25	1.50	.50	.35	1.15	.35	.25
371-400	1.20	.40	.80	.25	1.60	.50	.40	1.20	.40	.25
401-430	1.25	.40	.85	.25	1.65	.55	.40	1.25	.40	.25
431-460	1.30	.40	.90	.30	1.70	.55	.40	1.30	.40	.30
461-490	1.35	.45	.95	.30	1.80	.60	.45	1.40	.45	.30
491-520	1.40	.45	1.00	.30	1.85	.60	.45	1.45	.45	.30
521-550	1.45	.45	1.05	.35	1.90	.60	.45	1.50	.50	.35

It is further ordered that this cause shall be retained for a period of fourteen months from December 31, 1946, for such orders as conditions appear to justify and the Commission reserves the right to require the South-

(b) Exchange where individual line business message rates are not quoted ..... 12½¢  
(c) Garner exchange ..... 25¢

It is further ordered that the Southern Bell Telephone and Telegraph Company is hereby authorized to put into effect, effective, January 1, 1947, the following mileage toll rates in lieu of the present rates:

Person to Person  
Paid and Collect  
Day (Exc. Sun.) Night & Sun.

	3	Add'l								
	Mins.	Min.								
31- 36	.35	.10	.35	.10	.45	.15	.10	.45	.15	.10
37- 42	.40	.10	.40	.10	.55	.15	.10	.55	.15	.10
43- 48	.45	.15	.40	.10	.60	.20	.15	.55	.15	.10
49- 64	.50	.15	.40	.10	.70	.20	.15	.60	.20	.10
65- 88	.60	.20	.40	.10	.80	.25	.20	.60	.20	.10
89-112	.65	.20	.40	.10	.85	.25	.20	.65	.20	.10
113-132	.70	.20	.45	.15	.95	.30	.20	.75	.25	.15
133-148	.75	.25	.50	.15	1.00	.30	.25	.80	.25	.15
149-172	.80	.25	.50	.15	1.05	.35	.25	.80	.25	.15
173-202	.85	.25	.60	.20	1.15	.35	.25	.90	.30	.20
203-232	.90	.30	.60	.20	1.20	.40	.30	.90	.30	.20
233-262	.95	.30	.65	.20	1.25	.40	.30	.95	.30	.20
263-292	1.00	.30	.70	.20	1.30	.40	.30	1.00	.30	.20
293-314	1.05	.35	.70	.20	1.40	.45	.35	1.05	.35	.20
315-340	1.10	.35	.75	.25	1.45	.45	.35	1.10	.35	.25
341-370	1.15	.35	.80	.25	1.50	.50	.35	1.15	.35	.25
371-400	1.20	.40	.80	.25	1.60	.50	.40	1.20	.40	.25
401-430	1.25	.40	.85	.25	1.65	.55	.40	1.25	.40	.25
431-460	1.30	.40	.90	.30	1.70	.55	.40	1.30	.40	.30
461-490	1.35	.45	.95	.30	1.80	.60	.45	1.40	.45	.30
491-520	1.40	.45	1.00	.30	1.85	.60	.45	1.45	.45	.30
521-550	1.45	.45	1.05	.35	1.90	.60	.45	1.50	.50	.35

ern Bell Telephone and Telegraph Company to submit to it a complete financial statement showing the condition of the company at the expiration of six months and again at the end of twelve months.

ARIZONA CORPORATION COMMISSION

ARIZONA CORPORATION COMMISSION

Re Citizens of Wittman

Docket No. 10545-E-1157, Decision No. 16852  
November 26, 1946

**P**ETITION for hearing on domestic and commercial water rates; termination of installation charge ordered.

*Service, § 288 — Meter installation charge.*

A water company may not impose a connection or meter installation charge on water services in use before the company receives its certificate of convenience and necessity.

By the COMMISSION: Notice having first been given as provided by law, the above-entitled matter came on for hearing before the Commission sitting in Phoenix, Arizona, on November 19, 1946.

Appearances were made by petitioners represented by their attorney, Edward B. Ashurst, and by respondents represented by their attorney, J. Hubert Smith.

Witnesses were sworn and examined and from the testimony presented and from the records and files, the Commission finds:

That respondent has apparently attempted to install, at the expense of consumers, meters on water services which were in use before the issuance on September 23, 1946, of the certificate of convenience and necessity to said respondent.

This practice or attempted installation under the conditions aforesaid has ever been and is now disapproved by the Commission.

The Commission further finds that Rule 3 of the approved rule of respondent provides that the charges for such

installation will be made only for "each and every new service."

With respect to the rates now in force under respondent's rate schedules, the Commission, from records and data available, is not sufficiently informed to arrive at a correct rate base upon which to properly fix a schedule of rates.

It is therefore ordered that respondent desist from further attempts to impose a connection or meter installation charge on customers or services established before the issuance to respondent of the certificate of convenience and necessity hereinabove referred to.

It is further ordered that respondent, without delay, furnish this Commission a verified account of the operating expenses of the utility from January 1 to November 1, 1946, together with detailed account of the income derived by said utility during the same period, and that a new rate schedule be submitted, for approval by the Commission, based upon a rate base of \$5,500 and an allowable rate of return of 8 per cent.

BELLOWS FALLS HYDRO-ELECTRIC CORP. v. STATE

NEW HAMPSHIRE SUPREME COURT

Bellows Falls Hydro-Electric Corporation  
et al.

v.

State

— NH —, 49 A2d 511  
November 6, 1946

**P**ETITION by foreign hydroelectric corporation for authority to acquire and operate utility properties; Commission declared without jurisdiction and petition dismissed.

*Corporations, § 20 — Foreign corporation — Intrastate operations.*

1. A foreign corporation, although forbidden from entering a state and engaging in a purely intrastate public utility business, is permitted to operate an interstate business within the state, p. 111.

*Corporations, § 8 — Commission jurisdiction — Foreign hydroelectric corporation.*

2. The state Commission is without authority to grant a foreign corporation (a licensee under the Federal Power Act) permission to acquire and operate public utility properties in the state even if such corporation shall qualify to engage in intrastate business in addition to interstate business, p. 111.

Petition, to the Public Service Commission, requesting approval (R. L. Chap. 289, § 28) for the acquisition by and the transfer to the second petitioner, a foreign corporation, of all the franchises and properties of the first petitioner and a transmission line of the third petitioner. Upon an agreed statement of facts and pursuant to statute (R. L. Chap. 287, § 20) the Commission transferred to this court the following question of law:

"Has the Commission authority, under the provisions of Chap 289 of the Revised Laws, to grant New England Power Company, a foreign corporation organized under the laws of

Massachusetts, permission to acquire New Hampshire public utility properties and engage in business as a public utility in New Hampshire, if said corporation, in addition to doing or desiring to do an interstate business, shall also engage in intrastate business to the extent or of a kind set forth in the agreed statement of facts."

The material facts may be summarized as follows:

"Bellows Falls Hydro-Electric Corporation, a Vermont and New Hampshire corporation, owns and operates hydroelectric plants on the Connecticut river at Bellows Falls and at Wilder and is a licensee under the Federal

## NEW HAMPSHIRE SUPREME COURT

Power Act of each of such plants, the Bellows Falls licensed project including a certain transmission line owned by Connecticut River Power Company and by New England Power Company."

"Connecticut River Power Company, a public utility corporation chartered by the New Hampshire legislature, is the owner of that portion of the so-called Bellows Falls-Pratts Junction Transmission Line located in New Hampshire, which line connects the transmission lines of Bellows Falls Hydro-Electric Corporation at Walpole, New Hampshire, with transmission lines of New England Power Company at the Massachusetts-New Hampshire State Line, said portion of said line owned by Connecticut River Power Company and the Bellows Falls development of Bellows Falls Hydro-Electric Corporation and the part of said transmission line owned in Massachusetts by New England Power Company all having been found by the Federal Power Commission under the Federal Power Act to be a part of the Bellows Falls licensed project."

"New England Power Company is a Massachusetts Corporation authorized to engage in business as a foreign corporation in Vermont [and] is now doing a large interstate business . . ." in New England. "In addition New England Power Company desires to engage in business in New Hampshire through owning, operating, and maintaining power plants, transmission lines, and other electric properties, and through selling electric energy to other utilities and large power users."

The petitioners are "classified by the

Federal Power Commission as public utilities under the Federal Power Act."

The joint petition is further ". . . seeking the Commission's authority under § 26 of Chap 289 for Bellows Falls Hydro-Electric Corporation to discontinue service in New Hampshire; and seeking the Commission's permission and approval under Chap 289 for New England Power Company to engage in utility business in New Hampshire." If the petition is granted, New England Power Company "will qualify as a foreign corporation to do business in the state of New Hampshire." R.L. Chap 280, § 1; Chap 285, § 4.

APPEARANCES: Sulloway, Piper, Jones, Hollis & Godfrey, of Concord, for the plaintiffs; Ernest R. D'Amours, Attorney General, and Gordon M. Tiffany, Law Assistant, of Concord, for the state.

KENISON, J.: The statutes regulating public utilities require prior approval of the Public Service Commission before engaging in business within the state (R.L. Chap 289, § 21), and specifically provide as to foreign corporations as follows:

22. "Foreign Corporation. No permission under the preceding section shall be granted to any corporation not organized under the laws of this state, and no authority to transfer or lease the franchises, works, or system, or any part of the franchises, works, or system of any public utility in this state to any such corporation shall be granted under § 28."

23. "Exceptions. The provisions of the preceding section shall not apply to any corporation operating a public

## BELLOWS FALLS HYDRO-ELECTRIC CORP. v. STATE

utility plant in this state on June 1, 1911, or doing or desiring to do an interstate business."

[1] The prohibition in § 22 clearly prevents a foreign corporation from engaging in a purely intrastate public utility business. *Railway Express Agency v. Virginia*, 282 US 440, 75 L ed 450, PUR1931B 228, 51 S Ct 201, 72 ALR 102. The exception in § 23 plainly recognizes the right of a foreign corporation to engage in an interstate public utility business within the state. *Western U. Teleg. Co. v. Kansas ex rel. Coleman* (1910) 216 US 1, 54 L ed 355, 30 S Ct 190. These sections become ambiguous as applied to the right of a foreign corporation doing or desiring to do an interstate business and in addition doing an intrastate public utility business. The question has not heretofore been decided in this jurisdiction and no decision construing a similar statute has been discovered. The history of the act throws no light on the legislative intent since these sections have undergone no substantive change in subsequent revisions since its origin in Laws 1913, Chap 145, § 13. See P.L. Chap 240, §§ 22, 23; R.L. Chap. 289, §§ 22, 23.

[2] An examination of the administrative construction of these sections, while not conclusive, is of some aid. At an early date a petition by New England Power Company to do a limited business as a public utility in this state was opposed because the petitioner was a foreign corporation. The petition was dismissed without prejudice and authority granted to Connecticut River Power Company of New Hampshire, a domestic corporation. (1918) 7 NHPSC 7, 529. In Re

Vermont Hydro Electric Corp. and Claremont Power Co. (1919) 7 NHPSC 270, 273, Gunnison, Chairman, declares that "to have a New Hampshire utility owned by a foreign corporation" is "contrary to the general policy of our law." To the same effect, see (1929) 12 NHPSC 325, 328, in which it is said that the acquisition by a foreign corporation of utilities operating in New Hampshire "does violence to the spirit of the laws of this state." The foregoing statements are expressly approved in (1936) 18 NHPSC 403, 405, and Smith, Chairman, declared (p. 408) that "generally speaking, it is in the public interest that New Hampshire utilities be operated by domestic corporations subject in all respects to the laws of this state and to the jurisdiction of the Public Service Commission, and, further that such is the legislative intent. . . ." See also (1943) 25 NHPSC 301, 303, in which it is said: "The goal sought was to make certain that the powers of the state to regulate and control the utilities serving necessities to its people, would be as nearly exclusive as could be made."

All the cases quoted involve a transfer of domestic utilities to a foreign corporation doing an interstate business which was allowed on the condition, among others, that ultimately the transferred properties in this state would be owned and operated by a domestic corporation. Thus the administrative interpretation, accepted apparently without question for more than a quarter of a century, gives added weight to the literal wording of § 22 which excludes foreign utilities from the state and limits § 23 to cor-

## NEW HAMPSHIRE SUPREME COURT

porations doing or desiring to do an interstate business only. In effect the 1913 legislature adopted a policy of excluding so far as constitutionally permissible, that which they could not adequately control in the public utility field.

Subsequent related statutes, as bearing upon legislative intent without considering their application or validity, gave the Public Service Commission greater regulatory power but evidence no purpose to favor foreign public utility corporations. See Laws, 1919, Chap 94, R.L. Chap 291, § 15, regulating security issues following the decision in *Re Fryeburg Water Co.* 79 NH 123, PUR1919C 361, 106 Atl 225, 18 ALR 1373 and Laws, 1933, Chap 182, R.L. Chap 305, regulating public utility affiliates following the decision in *State v. New Hampshire Gas & E. Co.* 86 NH 16, PUR1932E 369, 163 Atl 724.

Since the 1935 Amendment to the Federal Power Act, 16 USCA § 791a

et seq., the dividing line between the jurisdiction of the Federal Power Commission and state Commissions remains somewhat obscure as a result of the divided opinions in *Jersey Central Power & Light Co. v. Federal Power Commission* (1943) 319 US 61, 87 L ed 1258, 48 PUR(NS) 129, 63 S Ct 953 and *Connecticut Light & P. Co. v. Federal Power Commission* (1945) 324 US 515, 89 L ed 1150, 58 PUR(NS) 1, 65 S Ct 749. Commentators have not regarded the issue as crystal clear.<sup>1</sup> We do not regard the present difficulty of divining what may be interstate on the one hand and local on the other hand as sufficient reason for construing our statutes contrary to their original intent in order to avoid a jurisdictional question which may never arise.

The question transferred for decision is answered in the negative.

Petition dismissed.

All concur.

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<sup>1</sup> Powell, *Physics and Law* . . . , 58 *Harv. Law Rev.* 1072-1093; *Recent Developments in Public Utility Regulation*, 36 *Am. Economic Rev. Proc.* 384-450 (1946); Benton, *Jurisdiction of the Federal Power Commission and of State Agencies in the Regulation of the Electric Power and Natural Gas*

*Industries*, 14 *Geo. Wash. Law. Rev.* 53-80. See *Arkansas Power & Light Co. v. Federal Power Commission* (1946) — *US App DC* —, 64 PUR(NS) 193, 156 F2d 821, certiorari granted. (1946) — *US* —, — *L ed* —, 67 S Ct 128; 14 *Geo. Wash. Law Rev.* 174.

RE MILWAUKEE GAS LIGHT CO.

WISCONSIN PUBLIC SERVICE COMMISSION

## Re Milwaukee Gas Light Company et al.

2-U-2224, 2-U-2032, 2-U-2042, 2-U-2047, 2-U-2044

November 16, 1946

**A**PPLICATION for temporary gas rate increase pending final disposition of application for permanent increase; denied.

*Rates, § 630 — Temporary increase — Rates pending investigation.*

1. A temporary rate increase, on the grounds that a long delay is inevitable in determining the issues relative to a permanent increase, is not warranted where temporary rates would be effective only for a few months and where the Commission could not, on the basis of the record, be assured that such rates would not be discriminatory in view of the fact that the company's application for a permanent increase and supporting testimony tacitly admitted the impropriety of zone rates which it proposed to continue in effect, p. 115.

*Rates, § 634 — Sustaining burden of proof — Temporary rate increase.*

2. A gas company seeking a temporary rate increase pending final disposition of its application for a permanent increase failed to prove the necessity for the temporary increase where it made no showing that its ability to render adequate service would be jeopardized by the continuation of existing rates and where testimony indicated that its return under existing rates would be 4.1 per cent on book value, p. 115.

*Return, § 92 — Reasonableness — Basis for emergency action.*

3. A return of 4.1 per cent on a gas company's book value rate base was not deemed to be so low as to warrant a temporary rate increase pending final disposition of an application for a permanent increase, in the light of present cost of money and present and immediately prospective financial position of the company, p. 115.

By the COMMISSION: Under date of August 17, 1946, Milwaukee Gas Light Company filed a petition with this Commission requesting approval of revised and increased gas rates for zones I, II, and III comprising areas in and around the city of Milwaukee constituting suburban areas in Milwaukee and Waukesha counties. On October 24, 1946, pursuant to the provisions of §§ 196.70 and 196.395, Wisconsin Statutes, the company sub-

mitted a petition requesting that an increase in rates substantially equal in amount to that requested in the initial petition be granted as emergency relief, and on a temporary basis, pending final determination in the above entitled proceedings.

Hearings on the initial petition were held in Milwaukee on September 25th and 26th and in Madison on October 22nd before Examiner John S. Cavanaugh. Hearing relative to the re-

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quested emergency increase was held in Madison on October 25th, also before Examiner John S. Cavanaugh.

APPEARANCES at one or more of the hearings: Milwaukee Gas Light Company, by Miller, Mack & Fairchild, by Frederic Sammond, Steven E. Keane, Milwaukee; city of Milwaukee by W. J. Mattison, City Attorney, by Joseph L. Bednarek, Assistant City Attorney, Milwaukee; city of West Allis, by John C. Doerfer, City Attorney, West Allis; city of Wauwatosa, by Roy R. Stauff, City Attorney; village of Whitefish Bay, by James D. Porter, Attorney, Milwaukee; village of West Milwaukee, by Allen J. Busby, Attorney, Milwaukee; village of Fox Point, by Maxwell H. Herriott, Attorney, Milwaukee; town of Lake, town of Wauwatosa, town of Granville, town of Mequon, village of River Hills, by C. R. Dineen, Attorney, Milwaukee; Fourth Ward Taxpayers League of West Allis, by Peter Zass, West Allis; of the Commission staff, H. T. Ferguson, Chief Counsel, H. J. O'Leary, Chief, rates and research department, R. E. Purucker, engineering department, Magnus Anderson, accounts and finance department.

Briefs upon the question of granting or denying the temporary increase in rates have been filed upon behalf of the company, the cities of West Allis, Wauwatosa, the village of River Hills, and towns of Lake, Wauwatosa, Granville, and Mequon.

### *Opinion*

The opinion and order hereinafter set forth deal primarily with the company's application for an emergency increase in rates for gas service furnished in zones I, II, and III. At the

September 25th hearing motion was made on behalf of the city of West Allis that an order dated April 10, 1946 consolidating dockets 2-U-2032, 2-U-2042, 2-U-2047, 2-U-2044, and be rescinded, and that the proceedings docketed as 2-U-2032, 2-U-2042, 2-U-2047, 2-U-2044, and, 2-U-2224 be consolidated for hearing and determination. Without objection, motion was granted and on October 25th, the Commission issued its order of recision and consolidation. The proceedings docketed as 2-U-2032, 2-U-2042, and 2-U-2047 are concerned with complaints filed respectively by the cities of Wauwatosa and West Allis, and the village of Whitefish Bay against the zone rate system of Milwaukee Gas Light Company. Docket 2-U-2044 is an investigation on the Commission's own motion of the same matter.

In its initial petition the company sought approval of revised schedules of rates for gas service which, in substance, would (1) substitute uniform metropolitan rates for the present zone rates effective in zones I, II, and III, and (2) yield additional gross revenues of approximately \$565,000 on the basis of projected gas sales for the twelve months ending July 31, 1947. The amended petition, in effect, requests approval on an emergency and temporary basis of a schedule of rates for gas service which would (1) temporarily retain the zone rate system in effect and (2) provide for the twelve months ending July 31, 1947, additional gross revenues of about \$556,000 on the basis of projected gas sales for that period. It is noted that the net return under the initial and amended petitions would be about equal.

## RE MILWAUKEE GAS LIGHT CO.

In support of the temporary and emergency increase as requested in the amended petition, the company contends that although it had completed its presentation on its initial petition, it must anticipate considerable delay to permit presentation of evidence in opposition and by the Commission's staff. It also contends that due to increases in costs, its return on "the fair value and prudent investment in its property . . . will be less than 4.2 per cent and under existing conditions of operation, petitioners' costs will continue to increase in excess of increases which may occur in its operating revenues."

The initial petition was filed with the Commission on August 17, 1946. The Commission has done and will continue to do all in its power to expedite this proceeding. However, the proceeding not only involves a substantial increase in rates, but also the requested approval of a fundamental change in the basis for the fixation of gas rates in the Milwaukee metropolitan area. Neither of these changes is of small magnitude and substantial interests are involved. Within reasonable limitations of time all parties to the proceeding must be granted full opportunity to present testimony which is pertinent and material to the issues involved. To that end the Commission will herein direct that the hearings relative to the original petition go forward shortly after January 1, 1947. Further, the Commission will insist thereafter upon as early a completion as possible of the presentation of testimony and briefs, and will not permit any unnecessary delay in a prompt submission and disposition of the case.

[1-3] Under the Commission's contemplated procedure, the granting of the amended petition solely on the grounds that a long delay is inevitable in determining the issues relative to permanent rates is not warranted. At best, such temporary rates would be effective only for a few months. Further, the Commission could not at this time, on the basis of the record, grant a temporary increase in rates with any assurance that such rates would not be seriously discriminatory, both as between classes of customers and between rate zones. By its original application and testimony in support thereof, the company has tacitly admitted the impropriety of its zone rates for service in the Milwaukee metropolitan area which, nevertheless, by its amended petition, it proposes to continue in effect for its requested temporary and emergency rates.

Even though there may be considerable but warranted delay in the final disposition of the matter the company has failed to prove the necessity for the proposed increase in rates on an emergency or temporary basis. It relies for such necessity solely upon the proof offered in support of its original petition for a permanent increase in rates. No showing has been made that the ability of the company to render reasonable and adequate service would be jeopardized by continuation of existing rates. It is true that the level of the return which the company will experience under existing rates will be lower than the return heretofore enjoyed; although such diminution in return may not be quite as great as the company estimated in Exhibit 19 in evidence herein. That exhibit indicates that the company's rate

## WISCONSIN PUBLIC SERVICE COMMISSION

of return under existing rates would be 4.1 per cent and under proposed rates would be 5.6 per cent on the rate base assumed in said Exhibit 19.

In the light of present cost of money and the present and immediately prospective financial position of the company, a return of 4.1 per cent on the book value rate base cannot be said to be so low or insufficient as to warrant exercise by the Commission of the extraordinary powers conferred upon it by §§ 196.70 and 196.395 of the statutes. The 4.1 per cent return is equivalent to an operating income of about \$986,000. Various income deductions are estimated to total \$660,000, consisting principally of \$600,030 on long-term debt obligations, thus leaving \$326,000 which, when added to \$75,000 of nonoperating income, leaves \$401,000 available for preferred dividends and return on common stock. Preferred dividend requirements total \$140,000 so that there would remain \$261,000 for common stock. The question of the adequacy or inadequacy of the present and prospective rate of return on a long-term basis will be given appropriate consideration in the final disposition of issues raised by the original petition. The prospective rate of return to be earned by the company in the relatively short period which will ensue before permanent rates are established is not so unreasonably low or

inadequate as to endanger the company's finances or ability to render service and, consequently, emergency action by the Commission is not justified.

There remains for disposition action on a motion made on behalf of the city of Milwaukee to have the October 25th hearing continued for the presentation of further evidence relevant to the proposed temporary increase in rates. The motion for continuance was denied by the examiner subject to review and affirmance or reversal by the Commission. In view of the denial of the application for a temporary increase, no useful purpose would be served by consideration of the city's motion; the examiner's denial thereof is, therefore, approved.

### *Finding*

The Commission *finds* that an emergency or temporary increase in the rates of the Milwaukee Gas Light Company is not required or needed to permit the company to continue to render reasonably adequate service or to prevent impairment of its financial position.

### *Conclusion of Law*

The Commission *concludes* that the petition of Milwaukee Gas Light Company for an emergency or temporary increase in rates should be denied. [Order omitted.]

RE MILWAUKEE GAS LIGHT CO.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Milwaukee Gas Light Company

2-U-2178

Re Madison Gas & Electric Company

2-U-2214

Re Wisconsin Gas & Electric Company

2-U-2216

November 19, 1946

**H**EARING on proposed uniform rules relating to limitation of gas service to additional space-heating customers during an emergency, as authorized by the Commission; proposed rules approved. For Commission decision authorizing gas service curtailment during emergency, see (1946) 65 PUR(NS) 193.

*Service, § 146 — Gas curtailment during emergency — Uniform rule.*

Uniform rules relating to the limitation of gas service to additional space-heating customers during an emergency, as authorized by the Commission, were approved, these rules supplanting rules which had been filed with the Commission and approved as part of the order authorizing service curtailment.

By the COMMISSION: On October 15, 1946, 65 PUR(NS) 193, an order was issued by this Commission approving certain rules filed by the utilities named in the above dockets permitting the restriction of the undertaking of service in the furnishing of gas to customers in the areas served by the respective companies. The order set forth that the recognition of such rules providing for the limitation of service to the public by these com-

panies is based upon the existence of an emergency and that its jurisdiction to approve such rules or to issue any orders is conferred under the provisions of §§ 196.395 and 196.70, Statutes.

Following public hearings in connection with the above dockets the order of October 15, 1946, *supra*, was issued. While the order recognized the rules as filed with the Commission as being effective, it also set forth for

## WISCONSIN PUBLIC SERVICE COMMISSION

consideration proposed uniform rules, together with a statement of the underlying principles, and hearing thereon was ordered.

Hearing on the proposed uniform rules was held at Madison on October 25, 1946, at 10 a. m. before the Commission and Examiner John S. Cavanaugh.

**APPEARANCES:** Milwaukee Gas Light Company, by Miller, Mack & Fairchild by Steven E. Keane; Madison Gas & Electric Company, by Rieser and Mathys, by R. M. Rieser; Wisconsin Gas & Electric Company, by Shaw, Muskat & Paulsen, by Van B. Wake; Wisconsin Public Service Corporation, by A. F. Davey, Sheboygan; Wisconsin Southern Gas Company, by Carl A. Altenborn, Burlington; city of Milwaukee, by Walter J. Mattison, City Attorney, by Joseph L. Bednarek, Assistant City Attorney; village of West Milwaukee, by A. J. Busby, Attorney; of the Commission staff: H. J. O'Leary, Chief, rates and research department; W. M. Ketchum, engineering department; Ralph E. Purucker, engineering department.

At the conclusion of the above hearing the utilities were asked to submit written memoranda indicating their positions as to the various rules, and same were submitted by counsel for the companies. A memorandum was likewise submitted by the city attorney of the city of Milwaukee.

### Opinion

The uniform rules hereinafter set forth have been formulated after giving consideration to the evidence presented in connection with the above dockets as well as all material there-

after submitted in connection therewith. The incorporation of these rules in an order affecting the three utilities above named is an action predicated upon the recognition of an emergency as to the ability of said companies to furnish gas service during peak-demand periods of the coming heating season. The Commission reiterates its previous declaration that the utilities shall proceed to formulate and submit plans in order to meet future service obligations to the public.

The Commission herewith approves the following uniform rules applicable to the above utilities, which rules supplant the rules which were heretofore filed with this Commission and approved as a part of the order of October 15, 1946, *supra*.

**Rule A:** Newly constructed homes or newly created living quarters which cannot be heated by presently installed heating facilities, and which the customer desires to heat with equipment originally designed for gas heating, shall be connected and served under applicable rates. Heating service shall be furnished to premises covered by this rule in the order of the acceptance of applications for such service by the utility, provided that applications hereafter made for heating service need not be accepted by the utility until construction of the premises to be heated is started and contracts for heating equipment have been executed.

**Rule B:** Space-heating appliances which replace other means of space heating, or which supply additional space heat, or which are to be used to supply space heating to new commercial or industrial customers, shall not be served unless proof is provided of

## RE MILWAUKEE GAS LIGHT CO.

the existence of a bona fide contract to install such equipment prior to the dates in the rules originally submitted by the companies and approved by the order of October 15, 1946, *supra*.

*Rule C:* No space-heating equipment or prospective customer that falls within the prohibition of these rules shall be permitted to take space-heating service under any rate schedule of the company.

*Rule D:* No additional gas load of a firm industrial nature requiring more than a 5B meter shall be connected.

*Rule E:* The utility shall interrupt or curtail industrial and/or commercial processing loads when necessary to supply peak demands during peak periods caused by the space-heating load. Immediately following the effective date of this rule the utility shall make necessary arrangements or agreements with its customers for curtailment of service pursuant thereto, which arrangements or agreements shall specify the minimum notice period for application of this rule.

*Rule F:* Where 10-light or larger meters are not available, space-heating customers shall be metered by a battery installation of two 5-light meters. Such 5-light meters, if unobtainable elsewhere, should be removed from the premises of other customers who either are minimum-use customers or who use relatively uniform amounts of gas from month to month. The bills of such unmetered customers shall be estimated.

*Rule G:* Where a customer is willing to remove a conversion burner which may be eligible for service under the foregoing rules, the utility will be permitted to charge to operating expense the cost of labor in removing and reinstalling grates or other equipment to restore the equipment to its condition before conversion to gas.

The recognition of the various factors which contribute to the creation of the present emergency requiring the issuance of rules of limitation in furnishing gas service makes it necessary that the Commission retain jurisdiction in connection with the above rules. In the event that it appears that the demands for service will exceed the supply of gas available to any of the companies, the Commission, on its own motion, or upon application of the utility, may undertake an investigation for the purpose of affording relief therefrom.

### *Finding*

The Commission *finds* that owing to conditions which have arisen and which could not reasonably have been foreseen by Milwaukee Gas Light Company, Madison Gas & Electric Company, and Wisconsin Gas & Electric Company, an emergency exists with respect to each of said utilities which reasonably requires a temporary curtailment of the undertaking of service of each of them. [Order omitted.]

GEORGIA PUBLIC SERVICE COMMISSION

GEORGIA PUBLIC SERVICE COMMISSION

Re Southeastern Telephone Company

File No. 19378, Docket No. 8185-A  
October 21, 1946

**A**PPLICATION for authority to increase exchange telephone rates upon conversion to automatic dial operation; proposed rates lowered.

*Revenues, § 2 — Estimate — Conversion to dial telephone — Rate determination — Probability of additional subscribers.*

1. No assumption was made as to the extent of increased exchange revenue from additional subscribers in determining the rates of a telephone company in the process of converting to dial service, notwithstanding the probability of additional subscribers after establishment of improved service, p. 122.

*Rates, § 202 — Telephone — Operating revenues — Charges to be included.*

2. Not only exchange revenues but revenues from business extensions, connection charges, extra exchange line mileage charges, and long-distance service should be included in operating revenues for determination of adequate telephone rates after conversion to automatic dial operation, inasmuch as all operating expenses, as well as the entire cost of the new plant, are included in the rate determination, p. 122.

*Depreciation, § 32 — Replacement of entire telephone system — Investment over a period of years — Straight-line method.*

3. An expense based on the straight-line method of depreciation does not reflect the true economic justification of an investment over a period of years when an entire local telephone system is completely replaced with new equipment all at one time, p. 124.

*Depreciation, § 32 — Sinking-fund method — Justification of investment.*

4. Depreciation expense computed on the sinking-fund method should be included as an expense of operation in measuring the justification of an investment related to its potential earnings, as this method recognizes the future earning power of funds recouped by an investor through depreciation expense charges and accruals, p. 124.

*Depreciation, § 32 — Sinking-fund method — Determination of individual telephone exchange rates.*

5. The sinking-fund method of depreciation is well adapted to the determination of rates for an individual exchange of a multi-exchange telephone company where the depreciation reserve under straight-line depreciation accounting is not segregated by separate exchanges, p. 124.

*Valuation, § 90 — Accrued depreciation — Sinking-fund method — Investment in new telephone plant.*

6. Return should be based on undepreciated property value when applying

## RE SOUTHEASTERN TELEPHONE CO.

the sinking-fund method of depreciation to a telephone company's investment in a new plant for dial operation, p. 124.

### *Depreciation, § 32 — Straight-line method — Rebuilding of telephone exchange.*

7. The use of the straight-line method of depreciation in a rate determination involving an isolated telephone exchange which is completely rebuilt and is a small part of the total company investment would result in a higher level of rates being justified immediately after the rebuilding of the property than would be justified a few years later even though the property, service requirements, earnings, and expenses were in no way changed and even though the property were maintained in as good operating condition as when new, p. 124.

### *Depreciation, § 77 — Telephone property — Annual sinking-fund rate.*

8. A sinking-fund rate of 2 per cent per annum of the cost of depreciable assets, supplemented by interest increment of 6 per cent, was considered adequate for an automatic dial telephone exchange, p. 125.

### *Expenses, § 114 — Income taxes.*

9. Income tax expenses should be included in a cost estimate for rate making, p. 125.

### *Depreciation, § 32 — Straight-line method.*

Statement that in a determination of earnings for a company as a whole, simplicity and conservatism dictate the use of the straight-line method, deducting from cost of plant the accrued reserve accumulated from depreciation expense charges in the determination of the rate base, p. 125.

By the COMMISSION: On July 25, 1946, the Southeastern Telephone Company petitioned the Commission for authority to increase rates for exchange telephone service in Mt. Vernon and Ailey, Georgia, to become effective after conversion of the Mt. Vernon exchange to automatic dial operation. This application was assigned for hearing before the Commission on August 20, 1946, when it came on to be heard. J. Wade Johnson, Attorney for Mt. Vernon and Ailey, together with W. B. Morrison and W. M. Peterson, appeared on behalf of the subscribers, and A. N. Seward, General Manager, D. W. T. Patton, Division Manager, George S. Hiles, Auditor, and E. M. Menendez, Engineer, appeared on behalf of

the Southeastern Telephone Company.

The petition requests authority to establish the following schedule of rates for dial service in Mt. Vernon and Ailey, Georgia:

Class of Service	Rate per Month
Business 1-Party	\$4.00
Business 2-Party	3.50
Business 4-Party	3.00
Residence 1-Party	\$3.00
Residence 2-Party	2.50
Residence 4-Party	2.00
Business Extension	\$1.25
Residence Extension	.75

Residence Rural Multi-party:

From city limits to 2 miles beyond ..	\$2.00
From 2 to 4 miles .....	2.25
From 4 to 7 miles .....	2.50
From 7 to 10 miles .....	2.75
Business rural Multi-party .....	1.00*

\* Additional.

The conversion of this exchange to

## GEORGIA PUBLIC SERVICE COMMISSION

automatic dial operation has grown out of numerous complaints which the Commission has received over a period of years. The Southeastern Telephone Company has advised the Commission that they can convert this exchange as soon as rates for the new service are fixed, inasmuch as they propose to transfer automatic switching equipment from their Adel exchange which is being replaced with a larger unit. The rates for the proposed service were submitted to officials and subscribers in Mt. Vernon and Ailey, and while these officials agreed to an increase in rates for the improved service, they did not specifically agree to or approve the rates proposed by the telephone company, but requested that the rates be determined and fixed by the Commission, based on the necessary investment to provide the service and the necessary revenue to provide a reasonable return on this investment. Accordingly, the Southeastern Telephone Company submitted to the Commission detailed estimates of the cost of the new plant and estimated operating expenses assignable to the operation of this exchange after conversion, as well as an estimate of gross revenue after the conversion.

### *Gross Operating Revenue*

[1] The Southeastern Telephone Company submitted with its petition to the Commission a statement of exchange operating revenues which would result from the rates which were proposed for dial service in Mt. Vernon and Ailey. This statement is based upon a commercial survey of all present and prospective telephone subscribers in the two communities which indicates a total of 150 subscribers to

automatic service. The computed annual revenue for exchange service was shown to be \$5,646. While this estimate of exchange revenue was based upon a detailed commercial survey, including therein all potential subscribers who indicated a desire for the new service, it has been the Commission's experience that additional subscribers are generally obtained after improved service is established. It is the opinion of the Commission that more than 150 subscribers will be obtained, but in the computation of necessary rates, no assumption has been made as to the extent of increased exchange revenue from additional subscribers.

[2] At the hearing it developed that the Southeastern Telephone Company had included no operating revenue other than that for exchange telephone service in Mt. Vernon and Ailey. It is clear that all revenues from telephone service in Mt. Vernon and Ailey should be included in a rate determination, inasmuch as all operating expenses, as well as the entire cost of the new plant, is likewise included in the rate determination. At the hearing the Southeastern Telephone Company testified that present revenue from three business extensions is \$45 per annum, \$14 per annum from connection charges, \$25 from extra exchange line mileage charges and \$2,528.46 per annum from long-distance telephone service originating in Mt. Vernon and Ailey. These revenues, in addition to exchange revenue, should be included in operating revenue for determination of rates after conversion to automatic dial operation.

### *Operating Revenue Deductions*

The Commission has made a com-

## RE SOUTHEASTERN TELEPHONE CO.

parative study between the estimated operating expenses submitted by the Southeastern Telephone Company for Mt. Vernon and Ailey and the 1944 and 1945 operating expenses of the entire Georgia operation of this com-

pany. The following tabulation sets forth the operating expenses estimated by the company as compared to those which the Commission has found to be reasonable after conversion:

Account No.	Description	Amt. per Year	Company	Commission
602	Outside Plant Maintenance .....	\$900	\$900	
604	C. O. Equipment Maintenance .....	900	900	
605	Repairs to Station Equipment .....	490	400	
606	Repairs to Buildings .....	30	30	
607	Station Removals and Changes .....	140	90	
610	Transmission Power .....	120	80	
640	Commercial Expense .....	466	338	
660	General Expense .....	952	952	
		<hr/>	<hr/>	<hr/>
	Taxes .....	\$3,998	\$3,690	
	Depreciation .....	555	1,000	
		<hr/>	<hr/>	<hr/>
	Total .....	1,716	666	
		<hr/>	<hr/>	<hr/>
		\$6,269	\$5,356	

As will be noted, some of the estimates submitted by the telephone company have been accepted in which instances the company's estimate appeared to be reasonable, based on the comparative analysis made by the Commission with the company's operation as a whole. The other items will be discussed in detail.

*Repairs to Station Equipment.* The telephone company estimated repairs to station equipment at their Mt. Vernon exchange would be equal to the average cost of repairs per station for the company as a whole in 1945 and indicated that an average cost of \$3.50 per telephone per year would amount to \$490 per year for 140 telephones. While this was the actual cost of station maintenance in 1945, the average cost to the company for the year 1944 was only approximately \$2.40 which, for 140 telephones would be equivalent to \$336 per annum, or \$367.20 for 153 telephones (which number includes 10 rural stations and 3 business extensions omitted by the com-

pany). As a matter of fact, the actual cost of station maintenance in Mt. Vernon in 1945 was stated by the company to be \$395.61. In view of the fact that this represented necessary maintenance of old magneto stations, including replacement of local batteries which are not required with dial service, it appears that the estimated figure of the Southeastern Telephone Company for cost of repairs to station equipment of \$490 is excessive and that \$400 per annum is adequate.

*Station Removals and Changes.* The Southeastern Telephone Company estimated station removals and changes expense in Mt. Vernon on the average cost of \$1 per station per year, which is the average cost for the company as a whole for 1945, or \$140 for 140 telephones. The average cost for the company as a whole in 1944 was approximately 55 cents per station per year, being \$77 per annum for 140 telephones, or \$84.15 for 153 telephones. The actual cost in Mt. Vernon for station removals and changes was \$90.01

## GEORGIA PUBLIC SERVICE COMMISSION

in 1945. It appears that \$90 per annum is an adequate allowance for this item.

*Transmission Power.* The Southeastern Telephone Company based their estimate of \$120 per annum as the cost of transmission power upon the average monthly cost of \$13 at Adel, reducing this figure to \$10 per month, to give effect to the smaller operation at Mt. Vernon. It so happens that the electric rates in Adel are substantially higher than those in Mt. Vernon. It has been calculated that \$13 per month would buy approximately 350 kilowatt hours under the electric rates in effect in Adel and that the number of dial telephones in Mt. Vernon will be 52 per cent of the number of stations presently served in Adel. This would indicate that transmission power requirements in Mt. Vernon will be approximately 180 kilowatt hours per month, which, applied to the electric rates in effect in Mt. Vernon, would cost \$6.60 per month or approximately \$80 per annum.

*Commercial Expense.* Although the Southeastern Telephone Company shows an average commercial expense of \$3.33 per telephone per year, which is \$466 per annum for 140 stations, the annual report of the Southeastern Telephone Company shows 1945 commercial expenses for Georgia in the total amount of \$1,056.80 for 4,784 stations in service at the end of the year. This is approximately \$2.21 per station, which, for 153 stations in service, would be \$338 per annum, and this figure is adopted.

**[3-7] Depreciation.** The telephone company estimates its depreciation expense at 4½ per cent per annum of the

estimated cost of depreciable property which will be in service in Mt. Vernon after conversion and based on their estimated cost of \$39,185, this expense is shown to be \$1,716 per annum. However, this appears to be in error, since 4½ per cent of \$39,185 is \$1,763 per annum. It does not appear, however, that an expense based on the straight-line method of depreciation reflects the true economic justification of an investment over a period of years in the future, when an entire local telephone system, such as the one involved in this case, is completely replaced with new equipment all at one time. It is customary practice in measuring the justification of an investment related to potential earnings thereon to include depreciation expense on the sinking-fund method as an expense of operation. This method recognizes the future earning power of funds recouped by the investor through depreciation expense charges and accruals. The sinking-fund method would appear to be unusually well adapted to a determination of rates for an individual exchange of a multi-exchange company, such as the company under consideration with 16 exchanges in Georgia and 10 exchanges in Florida, where the depreciation reserve accruals under straight-line depreciation accounting are not segregated by separate exchanges. As a matter of fact, the sinking-fund method will produce the same end result over the service life of a property as results from the straight-line method of depreciation, provided (1) under the sinking-fund method that the interest increment added to the depreciation reserve is equal to the allowed rate of return to the company on its rate base, and (2) under

## RE SOUTHEASTERN TELEPHONE CO.

the straight-line method that the accrued depreciation reserve is deducted from the cost of the property in arriving at the rate base. However, in using the sinking-fund method as outlined above, it is essential in fairness to the investor or the owner of the property, to permit a rate of return on the undepreciated property value, since the proposal contemplates using the earnings on the depreciation reserve balance invested in property as an additional accrual for depreciation expense. In a determination of earnings for a company as a whole, simplicity and conservatism dictate the use of the straight-line method, deducting from cost of plant the accrued reserve accumulated from depreciation expense charges in the determination of the rate base; however, in a rate determination involving an isolated exchange which is completely rebuilt new and is a small part of total company investment, the use of the straight-line method would result in a higher level of rates being justified immediately after the property is rebuilt than would be justified a few years later, even though the property, service requirements, earnings, and expenses were in no way changed, and even though the property were maintained in as good operating condition as when new. However, the sinking-fund method will not produce this result.

[8] It is therefore concluded that a sinking-fund rate of 2 per cent per annum of the cost of depreciable assets is adequate for an automatic dial exchange, such as is proposed to be installed in Mt. Vernon and Ailey. This rate, supplemented by an interest increment of 6 per cent per annum, which will be allowed as the rate of return in

this case, will provide the same depreciation expense requirements as would result from the application of a straight-line rate of over 4 per cent per annum of the cost of depreciable assets.

[9] *Taxes.* The company estimated its tax expense at Mt. Vernon and Ailey to be \$555 per annum, based upon an increase in present ad valorem taxation of 3.25 times the present ad valorem tax payment. The company, however, failed to include income tax expense in its cost estimate. While it is not believed that ad valorem tax payments will increase to the extent indicated, it is evident that some increase in tax expense should be allowed to cover income tax payments, but the total tax expense, including income taxes, should not exceed \$1,000 per annum.

### *Cost of Plant and Equipment*

The Southeastern Telephone Company submitted a detailed estimate of the cost of new telephone plant and equipment required to provide automatic dial telephone service in Mt. Vernon and Ailey, Georgia, in the total amount of \$40,901.50. A review of this estimate by the Commission's valuation engineer indicates that this plant can be installed for substantially less than the estimate submitted, and while a detailed inventory and valuation of the property has not been made, it is concluded that this entire plant can be constructed and installed for less than the amount claimed by the company and the rates herein prescribed will produce a return of at least 6 per cent per annum on the cost of the rebuilt property. In this connection, the Commission has found that rates for business service 25 cents per month

## GEORGIA PUBLIC SERVICE COMMISSION

less than requested by the company and rates for straight line and 2-party line, residence service 50 cents per month less, and for residence 4-party service 25 cents per month less than applied for by the company are adequate to provide a reasonable return.

### Summary

The following table summarizes the above findings, and is based on the rates prescribed in this order for exchange telephone service rendered in Mt. Vernon and Ailey:

#### *Operating Revenue*

Local Service Revenue..	\$5,064.00
Toll Service Revenue ..	2,528.46
	<u>\$7,592.46</u>

#### *Operating Expenses*

Maintenance and other expenses .....	\$3,690.00
Taxes .....	1,000.00
Depreciation .....	666.00
Total Deductions .....	5,356.00
Net Revenue .....	\$2,236.46

After careful consideration of the record, testimony, petition, and exhibits in this case, it is the opinion of the Commission that the exchange telephone rates hereinafter prescribed are adequate to provide a reasonable rate of return to the Southeastern Telephone Company on the investment required to provide automatic dial telephone service in Mt. Vernon and Ailey, Georgia. Wherefore, it is,

*Ordered* that the following shall be the rates for unlimited exchange tele-

phone service for automatic dial operation in Mt. Vernon, Ailey, Georgia, and surrounding rural territory:

Class of Service	Rate per Month
Business Individual Line .....	\$3.75
Business 2-party Line .....	3.25
Business 4-party Line .....	2.75
Business Extension .....	1.25
Residence Individual Line .....	\$2.50
Residence 2-party Line .....	2.00
Residence 4-party Line .....	1.75
Residence Extension .....	.75
 <b>Rural Multi-party Service</b>	
From city limits to 2 miles beyond .....	\$3.00
From 2 to 4 miles ....	3.25
From 4 to 7 miles ....	3.50
Over 7 miles beyond city limits .....	3.75
	2.75

*Ordered further* that the above rates shall become effective only after complete replacement of telephone plant and equipment in Mt. Vernon, Ailey, and surrounding rural territory in conformity with plans submitted to the Commission by the Southeastern Telephone Company, and only after the Mt. Vernon exchange is converted to automatic dial operation.

*Ordered further* that upon the establishment of the above rates no further extra charge shall be made for handset telephone instruments.

*Ordered further* that the Southeastern Telephone Company shall proceed forthwith to reconstruct, rebuild, and convert their Mt. Vernon telephone exchange to automatic dial service in conformity with plans submitted to the Commission.

RE FRANKVILLE TELEPHONE CO.

ALABAMA PUBLIC SERVICE COMMISSION

## Re Frankville Telephone Company

Docket 9491, Sub. 1  
October 2, 1946

**A**PPPLICATION for approval of proposed telephone toll rates; granted.

*Rates, § 573 — Telephones — Toll charges — Increased revenue need.*

A telephone company needing increased revenues to meet operating expenses and to have enough left over to justify expansion and further improvements in its business should obtain such revenues, if possible, through the charging of reasonable toll rates for calls between exchanges, rather than by increasing monthly exchange rates applicable to all subscribers.

By the COMMISSION: Petitioner, Frankville Telephone Company, by its owner, Melvin H. Brown, filed its petition as set out in caption above on August 17, 1945, and the matter was set down for hearing and heard by the Commission in the county courthouse at Chatom on September 14, 1945.

Petitioner sought approval of toll charges for all calls made between his several exchanges, including the Gilbertown exchange, after same is installed. Petitioner had theretofore made no charges to subscribers for calls between his several exchanges. At the hearing, considerable testimony was introduced to the effect, in particular, that petitioner's service conditions were such that, until materially improved, increase in his charges were not justified. Other testimony tended to show that on the basis of petitioner's then current revenues and expenses, his earnings were reasonably adequate.

On October 27, 1945, the Commission issued its order in which the por-

tion of petition seeking approval of toll rates was denied. In the report accompanying this order the Commission said in part: "The Commission will, separate from action herein, direct petitioner to make necessary improvements in its property and operations, to provide reasonably adequate service. Such improvements will require of petitioner additional capital investment and increase in annual operating expense. When such improvements have been consummated, or have progressed to a point to assure reasonably improved service, the Commission will, on request of petitioner, reopen this matter." Subsequent to the September hearing the Commission directed petitioner to make certain improvements in facilities and operation which investigation showed to be necessary to provide reasonable service. Since issuance of this direction, investigation by the Commission's staff has shown that petitioner has made considerable effort and progress in improving his service.

## ALABAMA PUBLIC SERVICE COMMISSION

On August 1, 1946, petitioner filed with the Commission a detailed statement of improvements made to date, his future plans for further improvements, his current operating revenues and expenses, and estimate of earnings with the proposed Gilbertown exchange or operations, and petitioner's LeRoy exchange, and toll service abandoned. Petitioner has recently been granted, for cause shown, a permit to abandon said LeRoy operation. Said abandonment being scheduled to be completed by September 20, 1946. In his filing of August 1, 1946, petitioner requests that the Commission reopen the matter of his proposed toll rates, but revises his former proposed schedule of rates to eliminate rates for calls to the LeRoy exchange and modifies his charges for calls between his other exchanges so that they will be on an air-line mileage basis and in conformity with similar intrastate charges in Alabama. Tariff setting out such proposed toll charges is attached hereto as Exhibit 1.

Petitioner's filed statement is to the effect that, with the exception of the repair of the Frankville line, all improvements petitioner was directed to make by the Commission will have been accomplished by time the proposed Gilbertown exchange is put in service. The Commission's staff investigation substantiates this statement. Petitioner states it is impossible to keep in repair the present Frankville line, but that as soon as the new highway between Frankville and Millry is constructed, definite plans for which have been made, petitioner will build a new metallic circuit line to Frankville.

Based on current revenue and with the new toll rates in effect, petitioner estimates a gross annual revenue of about \$12,800. His operating expense taking into consideration necessary increases in wages already in effect is estimated to be about \$11,800, leaving a net revenue of \$1,000 as a return on an investment stated to be over \$20,000.

The Commission has considered petitioner's request of August 1, 1946, seeking approval of revised toll rates together with the data submitted in support of such request, petitioner has reasonably improved his service or will have done so in the near future, as directed by the Commission. It is evident that with the rise in material and labor costs, petitioner needs additional revenue with which to meet operating expenses and have enough left over to justify expansion and further improvement in his business. It is practically universal practice in the telephone business to charge toll rates for calls between separate exchanges. In the opinion of the Commission, if, as in this case, increased revenue is necessary, same should be obtained if possible through the charging of reasonable toll rates to subscribers desiring to use such service, rather than to increase monthly exchange rates applicable to all subscribers.

Based on the record in this case, the Commission is of the opinion that the petition for charging of toll rates between petitioner's several exchanges, as revised by filing of August 1, 1946, should, and will be granted, effective with the date the Gilbertown exchange service is inaugurated.



# Industrial Progress

*A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.*



## Detroit Edison Company Starts \$96,000,000 Program

**D**ETROIT EDISON COMPANY has embarked on a four-year, \$96,000,000 construction program designed to increase generating capacity of the system to 1,509,000 kilowatts. This is 22.4 per cent above present nominal capacity of 1,234,000 kilowatts.

The 1947 phase of the program contemplates an expenditure of \$20,000,000.

Power plants will account for \$3,000,000 of this year's costs; overhead and underground transmission lines \$2,500,000, and land, buildings, distribution, and miscellaneous facilities will account for the balance.

Seven new substations in the Detroit metropolitan area and 12 elsewhere in the territory are on the agenda for construction this year. The addition of another 110 miles of rural lines will practically complete the job of making electricity available to every farmer in the area served.

## PG&E to Build Another New Powerhouse

**T**HE PACIFIC GAS AND ELECTRIC COMPANY is planning to build a new, thoroughly-modern hydroelectric plant to replace the 47-year-old Colgate powerhouse, which was seriously damaged by fire on October 13th. Plans and specifications are being prepared and the necessary materials and equipment are being ordered.

The new Colgate will cost \$3,000,000 and will have an installed capacity of about 33,000 horsepower. It will occupy the same site as the pioneer plant, on the Yuba river 35 miles northeast of Marysville, Yuba county.

The project will be in addition to the record-breaking \$160,000,000 construction program on which the PG&E now is engaged—a program that, by the end of 1948, will add 658,000 horsepower to the electric system and increase the company's capacity, including purchase power, to 3,145,000 horsepower.

## Rockwell Mfg. Announces Three New Appointments

**T**HREE appointments to the executive staff of the Rockwell Manufacturing Company, Pittsburgh, have been announced by W. F. Rockwell, Jr., vice president and general manager.

C. A. Wiken, for the past eight years chief engineer of the Delta Manufacturing Division in Milwaukee, has been promoted to the posi-

tion of vice president in charge of engineering for the Rockwell Manufacturing Company. He will coordinate the engineering activities of the various divisions and subsidiaries, supervise the standardization of engineering procedures and materials, and administer company-wide policies relating to engineering.

J. E. Ashman has been named controller of the Rockwell Manufacturing Company.

A. E. McIntyre, who for the past several years has been manager of the Nordstrom Valve Division plant in Oakland, California, has been transferred to Pittsburgh as general manager of the company's Pittsburgh Equitable Meter Division. All three men will make their headquarters at the company's general offices in Pittsburgh.

## \$61,500,000 Expansion Proposed for 1947

**A**s part of its five-year \$200,000,000 development program, the Consolidated Edison Company of New York, Inc., and its system companies announced recently a 1947 budget for new construction which will cost an estimated \$61,500,000.

Major item in the list of contemplated expenditures for 1947 is the sum of \$37,000,000 to be spent for additions to the company's facilities through which electricity is generated and distributed in Manhattan, the Bronx, Brooklyn, and the greater part of Queens.

The company's Waterside station, located in Manhattan, will be the site of a large part of this work. It is expected that \$7,000,000 will be spent during 1947 in the course of the modernization and expansion program which has been under way at this station since 1934. The program is scheduled for completion in 1949 at a total cost of approximately \$65,000,000.

Other generating stations in New York city will receive additional equipment, according to the announced budget.

Additions to the electric distribution lines in the company's service area in greater New York will cost an estimated \$18,000,000 in 1947. The additions are being planned with an especial view to the future growth of the city.

A sum of \$9,000,000 is to be spent by the company in the expansion of facilities through which gas is supplied in Manhattan, the Bronx, and part of Queens. Also, \$1,300,000 is to be spent on additions to the company's properties which are common to both electric and gas service.

Additions in the form of new construction are also planned by the other companies in the Consolidated Edison System. Westchester

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Lighting Company plans to spend \$4,370,000 on gas facilities, \$1,135,000 on electric facilities, and \$170,000 on items common to both forms of service.

Yonkers Electric Light & Power Company contemplates additions in 1947 which are expected to total \$2,800,000.

New York Steam Corporation in 1947 is expected to spend \$2,330,000 in expansion of its facilities which provide central station steam service to buildings in Manhattan, and the Consolidated Telegraph & Electrical Subway Company has planned work for 1947 which will cost an estimated \$2,700,000.

### Burroughs Announces New Calculator Line

As its first major product change since the war, Burroughs Adding Machine Company has completely restyled its entire line of Calculators.

By producing the machines in a soft brown color and a non-reflecting finish, Burroughs has been able to give these postwar Calculators a smart, modern appearance and to eliminate all reflection and glare. The new color treatment has been extended even to the machine keytops where the old black and white colors have been replaced with harmonizing tones of brown and ivory.

The Burroughs Electric Duplex Calculator offers a number of operating advantages, according to the manufacturer. It registers the result of individual calculations in its front dials and automatically accumulates a grand total in the rear dials. Any amount registered in the front dials can be instantly subtracted from the grand total by means of the "subtract" bar without the use of complements.

Burroughs Calculators have wide application on wage calculation and analysis, invoice and purchase order extension, sales audit and analysis, prorating and percentage calculation, production analysis and statistics, and many other high-speed figuring jobs.

Models range from 6- to 14-column accumulating capacity. Both hand and electric styles are available.

### Utah Power & Light to Build \$5,800,000 Plant

CONSTRUCTION of a modern \$5,800,000 steam-electric generating plant to supplement power resources of the intermountain area is being planned by Utah Power and Light Company.

George M. Gadsby, president, said present plans are that the new plant will consist of a 40,000-kilowatt unit, to be located adjacent to the company's steam-electric station at Orem, Utah county, where ground and trackage are available.

Representatives of the Utah Power and Light Company, Idaho Power Company, and Montana Power Company, whose systems are interconnected, have scheduled their construction programs to meet anticipated power loads, said Mr. Gadsby. He pointed out that in Idaho a

construction program at several locations will add 85,000 kilowatts additional generating capacity, while in Montana, a 56,000 kilowatt generating plant will be constructed at Flathead lake, according to announcements from power companies of the two states.

### Cincinnati Street Ry. Plans \$7,000,000 Program

CINCINNATI STREET RAILWAY COMPANY is planning for large-scale replacement of old equipment at a cost of more than \$7,000,000, according to Walter Draper, president.

The program calls for the installation of 105 trackless trolley coaches, twenty-five street cars and 238 gas buses. This company recently completed construction of a new \$500,000 garage to house some of the new vehicles and it plans to modernize a number of old car barns at a cost of \$100,000 to house more of the equipment.

### Plans \$15,000,000 Generating Unit to Boost Capacity

THE INDIANA & MICHIGAN ELECTRIC COMPANY has announced plans to add a new electric generating unit of 190,999 horsepower capacity at the company's twin branch plant at Mishawaka, Indiana. The expected increased demands for electric power within the territory resulted in the expansion, officials reported. It is estimated that the cost of the new unit will be \$15,000,000.

In announcing the project, J. G. Mooney, vice president, said the engineering staff of American Gas and Electric Company, parent company, is now preparing plans for construction to begin in April. Work will be continuous and will require two years, he said.

The new unit will bring the capacity of the twin branch plant up to 512,000-horsepower.

### New Air Recovery Bulletin

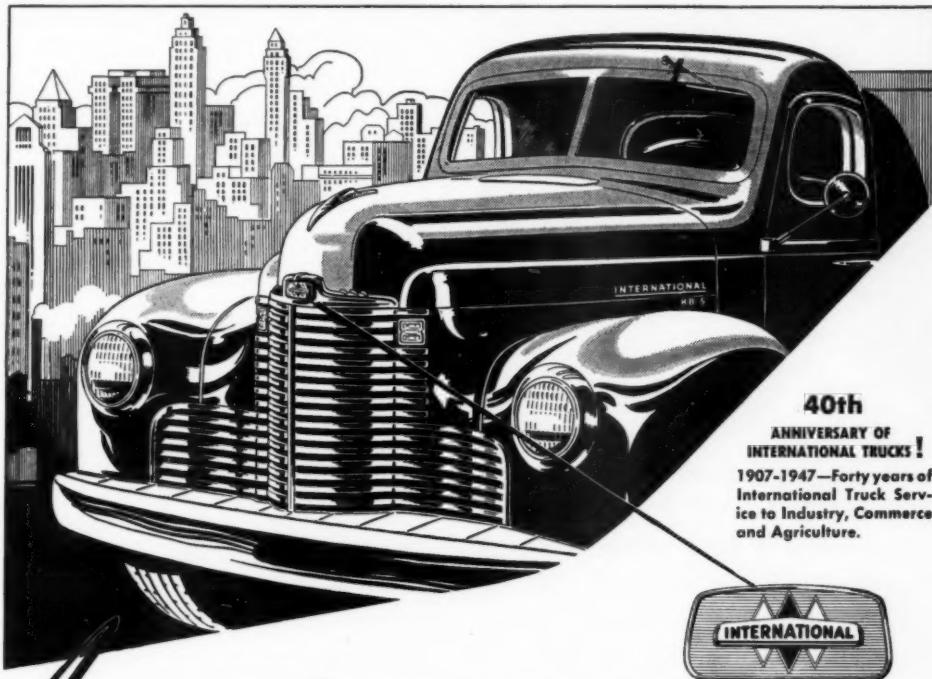
BULLETIN 106-A, "Dorex Activated Carbon Air Recovery Panels," the latest publication of the W. B. Connor Engineering Corporation, contains complete data on the design, construction, function and application of these units.

An outstanding feature of this bulletin is the performance chart which provides in one simple and concise tabulation all the data necessary for proper panel selection. Capacities at various resistances, fresh air percentages, and approximate hours of service life are shown for each type, size, and series of panel.

Copies of the bulletin may be obtained by writing to the manufacturer, W. B. Connor Engineering Corporation, 114 East 32nd street, New York 16, New York.

### \$2,000,000 Program Proposed

THE MOUNTAIN STATES POWER COMPANY expended approximately \$2,400,000 for construction during 1946 and has budgeted \$2,000,000 for the same purpose during 1947, ac-



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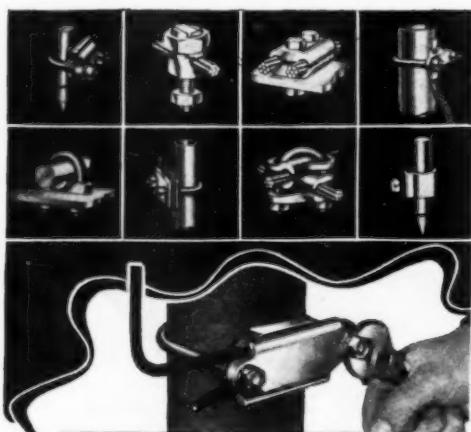
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# INTERNATIONAL Trucks

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cording to an announcement by the company in its annual statement to stockholders.

**Brooklyn Union Gas Co.  
Expanding Facilities**

**B**ROOKLYN UNION GAS COMPANY has just opened a new propane-air gas plant at its Greenpoint works, which is currently capable of adding a production capacity of 6,000,000 cubic feet a day.

The new plant is scheduled to be finished in another week by addition of seven more tanks, at which time its capacity will be doubled to 12,000,000 cubic feet.

This propane plant will be used primarily to meet peak winter load requirements by supplementing the company's present coke oven gas and carbureted water gas production.

Expansion plans for this year also include two new gas holders, new carbureted water gas sets, and completion of the repair and modernization of the coke oven batteries at Greenpoint works.

**"Farmstead Wiring" Book Issued  
By Westinghouse**

**A** COMPREHENSIVE 44-page book covering every step of farm electrification and wiring is announced by the Westinghouse Electric Corporation.

One major roadblock to volume use of electric products that help the farmer make a better living is inadequate wiring. This book treats this technical subject in simple popular terms. It lists many electrical applications according to farm enterprises—dairy, poultry, shop and machinery shed, crops, water supply, home—tells their value to the farmer, and the electric power requirements of each. A check list is provided to help the farmer plan for his immediate needs, as well as applications to be added later.

The Farmstead Wiring Booklet (B-3874) is available to utilities, Rural Electric Cooperatives, dealers, and chain stores from the nearest Westinghouse distributor for 25c per copy, if less than 100 are purchased. Prices for quantity purchases are 10¢ to 5,000, 20c each; over 5,000, 15c each.

**Stonhard Issues New Folder**

**"OVER RUTS AND HOLES"** is the title of a recently published folder outlining the overlaying or patching of worn concrete, wood, brick, or composition floors with Stonhard Resurfercer.

The folder answers questions dealing with product uses, advantages, method of application, material coverages, etc. In addition several typical finished installations on traffic aisles, floors, platforms, and outside ramps are described and illustrated. A free copy of this folder may be obtained by addressing Stonhard Company, 403 North Broad street, Philadelphia 8, Pennsylvania.

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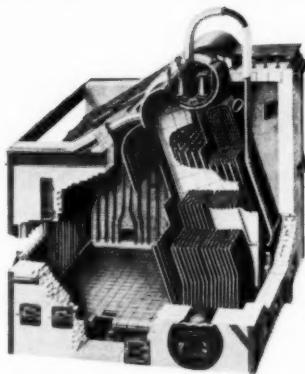
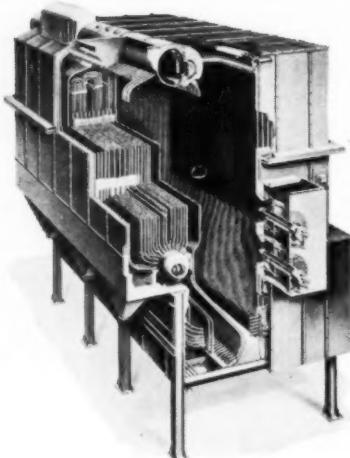
HEAVY FORGINGS—  
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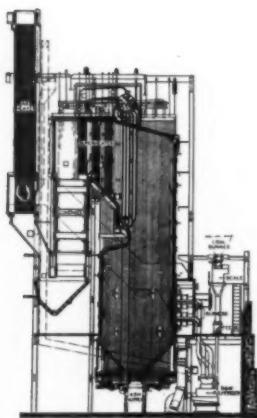
NEWPORT NEWS SHIPBUILDING  
and DRY DOCK COMPANY  
NEWPORT NEWS,  
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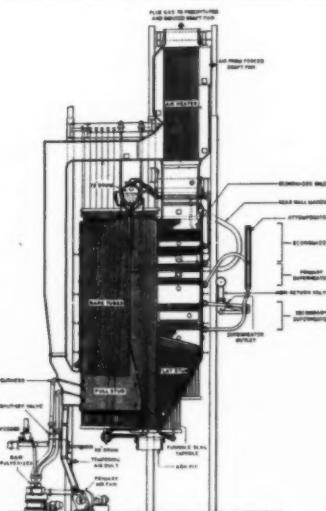
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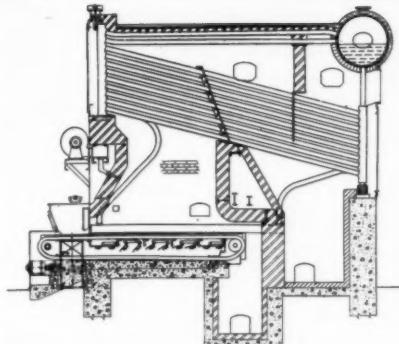
**CENTRAL STATION BOILERS**—High-duty boilers for central-station service are available in several basic designs that meet the requirements of individual stations. The boilers illustrated are typical of some of the units now operating at high capacities in utility plants.



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XUM

## LOW COST STEAM



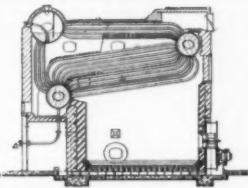
**B&W DESIGN 32 CROSS-DRUM BOILER** — This boiler is an attractive unit for small and medium-size power plants where refractory furnaces are suitable. It provides the advantages of the straight-tube, sectional-header construction used in B&W Cross-Drum Boilers designed for larger capacities.

The time-tested, performance-proved boiler designs shown on these pages are big reasons why so many industrial and utility power men come to B&W again and again when modernization or expansion of power plant facilities calls for new steam-generating equipment. They know from long, satisfactory experience that B&W boilers are soundly designed, built and applied to fulfill the specific conditions of each job; embody the very latest developments; and, therefore, consistently give the high standards of performance essential to low-cost steam generation. They know too that from B&W, they get the benefit of nearly 80 years of valuable experience in solving boiler requirements—experience that cannot be written into specifications or shown on blue-prints but is reflected in all B&W steam-generating equipment.

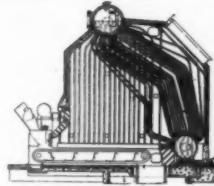
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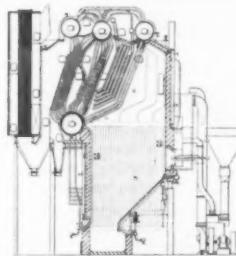
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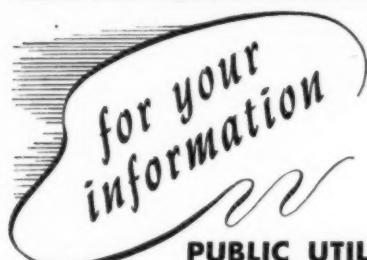


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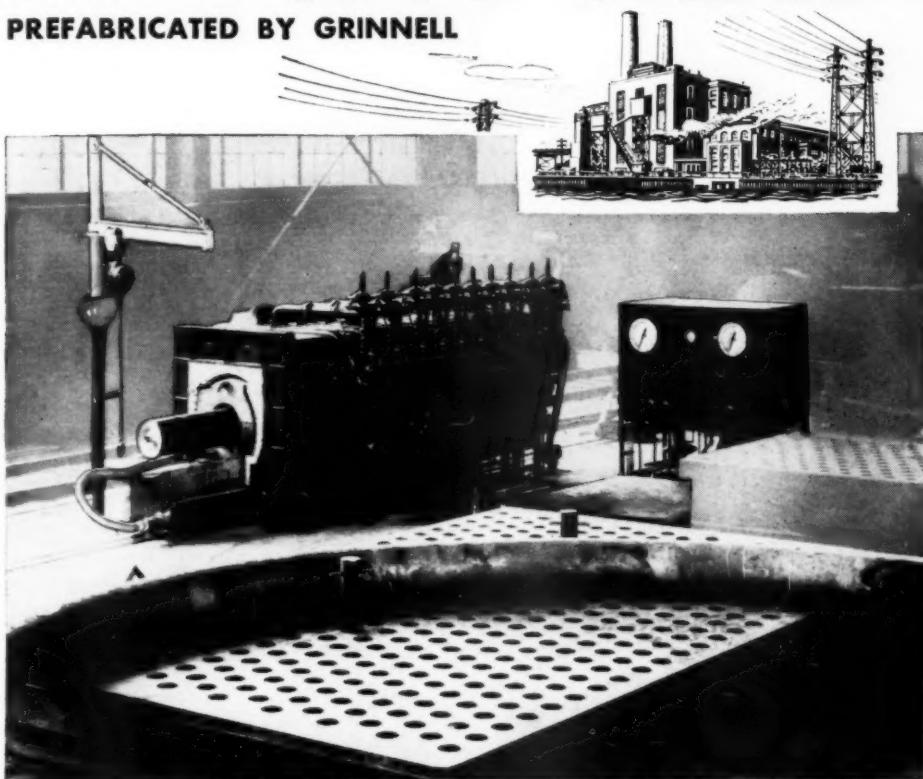
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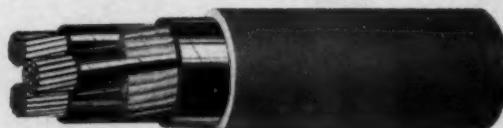
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